driving **confidence**

2007 annual report

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VICTORIA, B.C. MAY 27 2008

letter of transmittal and accountability statement

Minister of Public Safety and Solicitor General
Minister Responsible for the Insurance Corporation of British Columbia

Dear Minister:

The 2007 Annual Report of the Insurance Corporation of British Columbia (ICBC) was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The information presented represents a comprehensive picture of ICBC's actual performance for the twelve months ended December 31, 2007 in relation to the February 2007 service plan. The measures presented are consistent with ICBC's goals and strategies, and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks as of December 31, 2007 have been considered in preparing the report. Any changes in mandate direction, goals, strategies, measures or targets made since the February 2007 service plan was released are identified in the report.

As the Chair of ICBC's Board of Directors, I am accountable for the contents of the report, including what has been included in the report and how it has been reported, as well as for the design and operation of internal controls that are in place to ensure performance information is measured and reported accurately and in a timely fashion. This report contains estimates and interpretive information that represent the best judgement of management. Any significant limitations in the reliability of the data are identified.

On behalf of the Board of Directors and all ICBC employees, it is my pleasure to submit the Annual Report of the Insurance Corporation of British Columbia for the year ended December 31, 2007.

Sincerely,

T. Richard Turner
Chair, Board of Directors

profile

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation that provides universal compulsory auto insurance (Basic insurance) to drivers in British Columbia, the rates for which are regulated by the BC Utilities Commission, and sells Optional auto insurance in a competitive marketplace.

ICBC is one of Canada's largest property and casualty insurers. Our insurance products are available across BC through a network of independent brokers, and claim services are provided at ICBC claim handling facilities located throughout the province. We also invest in road safety and loss management programs to reduce crashes, auto crime and fraud. In addition, we provide driver licensing and vehicle licensing and registration services on behalf of the provincial government at locations across the province.

As a provincial Crown corporation, ICBC is governed by legislation that is applicable to Crown corporations. ICBC operates under the authority of the *Insurance Corporation Act* and through the Shareholder's Letter of Expectations established between ICBC and the Minister responsible. The Minister of Public Safety and Solicitor General is the Minister responsible for ICBC.

vision

ICBC will be BC's preferred auto insurer, providing protection and piece of mind.

mission

We deliver quality auto insurance products and services at competitive prices through a knowledgeable team committed to our customers.

key financial and operating comparatives

five year comparison for the years ended December 31	2007	2006	2005	2004	2003
For the year:					
Premiums earned ($000)	3,482,434	3,256,856	3,117,412	3,026,481	2,852,411
Service fees ($000)	65,949	47,154	37,479	36,633	33,585
Claims incurred during the year ($000) [1]	2,646,360	2,544,396	2,444,515	2,242,334	2,208,140
Prior years' claims adjustments ($000) [1] [2]	(33,779)	99,043	80,662	(4,740)	10,392
Claims services and operating costs ($000)	450,787	433,830	423,803	419,350	409,272
Insurance premium taxes and commissions ($000)	407,022	379,682	363,872	343,793	307,265
Deferred premium acquisition cost adjustments ($000)	(26,543)	(87,511)	114,604	(20,609)	(32,426)
Investment income ($000)	611,600	512,349	579,436	395,319	329,936
Net income for the year ($000)	642,318	350,100	197,924	372,959	224,807
At year end:					
Cash and investments at year end ($000) [3]	9,641,452	8,470,584	7,167,078	7,055,237	6,436,189
Total assets ($000)	10,991,685	9,738,492	8,086,249	7,461,955	6,806,029
Equity ($000) [3]	2,433,247	1,507,248	1,157,148	959,224	586,265
Autoplan policies earned [4]	3,108,000	3,012,000	2,921,000	2,842,000	2,773,000
Average premium ($) [5]	1,094	1,051	1,038	1,036	998
Claims reported during the year [6]	992,000	947,000	924,000	929,000	931,000
Loss Ratio:					
- Current year (%)	84.7	87.4	87.6	83.4	87.0
- Prior years' claims adjustments (%) [2]	(1.0)	3.0	2.6	(0.2)	0.4
Loss ratio (%) [7]	83.7	90.4	90.2	83.2	87.4
Insurance expense ratio (%) [8]	16.0	15.7	16.0	15.9	15.5
Number of employees [9]	5,024	4,994	4,908	4,889	4,754

[1] *Claims incurred is presented on a discounted basis beginning in 2004. 2003 is presented on an undiscounted basis.*
[2] *(1) denotes a favourable adjustment, i.e. a reduction in expense.*
[3] *In accordance with the new financial instruments standards issued by the Canadian Institute of Chartered Accountants, effective January 1, 2007, bonds, equities and derivative instruments are valued at fair value. Unrealized gains and losses on investments that are classified as available for sale are recorded in a separate component of equity called accumulated other comprehensive income.*
[4] *Annualized values have been used for policies with a term of less than 12 months.*
[5] *Average premium earned per policy.*
[6] *Claims reported represents the number of claims reported against purchased insurance coverages.*
[7] *Loss ratio is based on current year claims and related costs and prior years' claims adjustments as a percentage of premiums earned.*
[8] *Insurance expense ratio is based on insurance operating costs as a percentage of premiums earned (excludes non-insurance costs, deferred premium acquisition costs, and other unusual items).*
[9] *Number of employees is based on year-end full time equivalents.*

Certain comparative figures have been restated to conform to the current year's presentation.

performance highlights

net income

In 2007, ICBC recorded net income of $642 million. Net income stays in the Corporation to help keep insurance rates low and stable over the long term and helps protect policyholders against significant unexpected losses.

expense ratio

The expense ratio is a standard industry measure for assessing the operational efficiency of an organization. The improved expense ratio for 2007 reflects growth in premium revenues and our continued focus on prudent financial management, along with our ability to achieve economies of scale and the benefits of integrated operations.

loss ratio

The loss ratio is a key performance indicator within the insurance industry measuring profitability of the insurance product. The improved loss ratio in 2007 is the result of higher premium revenues combined with some moderation in the growth of claims costs and a favourable prior years' claims adjustment.

customer satisfaction

In 2007, ICBC met or exceeded all customer satisfaction targets. Customer satisfaction levels for insurance services remained the same as in 2006, while claims services and driver licensing services increased over 2006.

investment income

ICBC investments generated income of $612 million in 2007 including equity gains, interest income, and income from the sale of the Central City development in Surrey. Income from investments helps to reduce the amount of premiums that would otherwise have to be paid by policyholders.

message from the chair and the president

2007 was a year of significant achievement and progress for ICBC. The corporate strategy focused on meeting customers' needs; being financially responsible; having high-performing, engaged and capable employees; and delivering operational excellence.

Being customer focused means delivering exceptional value, having competitive and stable pricing, and being easy to deal with in all aspects of our business. Customer service enhancements implemented at claim centre and driver service centre locations are examples of changes we made in 2007 to help deliver on our commitment to customers.

2007 was an exceptionally strong year financially for ICBC, with net income of $642 million. Strong investment income including one-time income from the sale of the Central City development in Surrey, growth in premium revenues, and favourable developments in prior years' claims costs all contributed positively to net income in 2007. With our commitment to operational excellence, continued low operating costs also helped us achieve our 2007 results. In addition, although the growth in current year claims costs moderated slightly, current year claims costs still increased by $102 million over 2006.

For about half of the customers who chose ICBC for their Basic and Optional insurance, rates in 2007 were the same or lower than they were in 2004. We are holding the line on insurance rates and are working, over time, to make insurance rates more reflective of risk. Furthermore, early indications are that there is no need for a rate change for Basic insurance for 2008, and Optional insurance rates will be reduced by 3%, effective July 1, 2008.

In terms of employee engagement, while we are disappointed that we did not achieve our 2007 target, we know that working towards engagement is a longer term process and we remain committed to improving our results in this area.

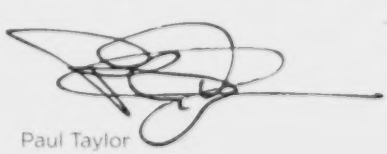
While there were many accomplishments in 2007, we would be remiss if we did not also address the issues related to the sale of rebuilt vehicles repaired at our research and training facility without proper documentation. We became aware of this issue in early 2008 through our internal processes and acted immediately by bringing in an independent firm to thoroughly investigate, issuing news releases to disclose this matter, contacting every customer who owns one of these vehicles to make things right, and taking steps to prevent anything like this from happening in the future.

We know that the thousands of ICBC employees across the province who work hard every day with integrity and dedication are equally upset by this matter and truly care about the well-being of our customers. On behalf of all employees, senior management and ICBC's Board of Directors, we wish to express our sincerest apologies to members of the public impacted by the sale of these vehicles. We remain committed to earning your trust and confidence.

Looking ahead, we will continue to focus on providing an improved customer experience and effectively managing operating and claims costs. In addition, we will continue our work on an enhanced driver's licence as an alternative form of identification for land and sea cross-border travel between Canada and the United States, and on enhancing the overall security of the BC driver's licence.

Our mission is to deliver quality auto insurance products and services at competitive prices through a knowledgeable team that is committed to our customers. We look forward to being BC's preferred auto insurer, providing protection and peace of mind for British Columbians.

T. Richard Turner
Chair, Board of Directors



Paul Taylor
President and CEO

corporate overview

The Insurance Corporation of British Columbia (ICBC) was established as a provincial Crown corporation in 1973 under the *Insurance Corporation Act* to provide universal auto insurance to BC motorists. At that time, ICBC was the sole provider of auto insurance in British Columbia. Soon afterwards, legislation was amended to allow private insurance companies to sell Optional auto insurance. Today, ICBC is the sole provider of Basic auto insurance, which is compulsory and for which the rates are regulated by the BC Utilities Commission (BCUC), and competes with other companies in the sale of Optional auto insurance products. In providing these insurance products, we operate, under direction from the Province, as an integrated company for the benefit of our customers.

ICBC also provides driver licensing, vehicle licensing and registration services, and fines collection on behalf of the provincial government. These services are collectively known as ICBC's non-insurance services.

ICBC is one of BC's largest corporations and one of Canada's largest property and casualty (P&C) insurers. Our insurance products and services are available through a province-wide network of approximately 900 independent brokers, and we process almost one million claims each year through Dial-A-Claim, 39 province-wide claims service locations, and icbc.com. In addition, driver licensing services are provided through approximately 120 points of service, including driver service centres, expressways, appointed agents and government agents' offices throughout BC.

In delivering our products and services, we partner with businesses and organizations in communities throughout BC, including insurance brokers, law enforcement agencies, members of the auto repair industry, health service providers, lawyers, and public and community organizations. These partners are involved in different aspects of the insurance and claims processes, such as repair or replacement of damaged vehicles, medical and rehabilitation services, loss management programs, and legal services.

insurance products and services

Similar to other vehicle owners across Canada, motorists in BC are required by law to purchase a minimum level of auto insurance. Private passenger and commercial vehicle owners are provided with $200,000 in third-party legal liability protection, $150,000 in no-fault accident benefits and $1 million of underinsured motorist protection; buses, taxis, limousines, and extra-provincial trucking and transport vehicles have higher mandatory levels. In addition to providing Basic auto insurance, ICBC competes with other insurance companies in the sale of various Optional coverages including extended third-party legal liability, collision, comprehensive, and vehicle storage. The table on the next page illustrates the full spectrum of our Basic and Optional insurance products.

ICBC's basic and optional insurance products

basic coverage

The minimum coverage any vehicle must carry to legally operate in BC:

- Third-Party Legal Liability
- Accident Benefits
- Underinsured Motorist Protection
- Protection Against Hit-and-Run* and Uninsured Motorists
- Inverse Liability Coverage

** Hit-and-Run payments for property damage are provided if not recoverable from any other source.*

optional coverage

Additional coverage to meet customer needs:

vehicle

- Collision
- Comprehensive
- Specified Perils
- Vehicle in Storage
- New Vehicle Replacement
- Limited Depreciation Coverage
- Replacement Cost Coverage
- Collector and Vintage Vehicles

equipment

- Motor Vehicle Equipment
- Excess Special Equipment
- Motor Home Contents

individual

- Extended Third-Party Legal Liability
- Excess Underinsured Motorist Protection
- Loss of Use
- Vehicle Travel Protection
- RoadStar/Roadside Plus

Auto insurance in BC is based on a full tort system, which means that an injured party is entitled to take the at-fault party to court for the full amount of damages. In addition, the insured injured party has access to accident benefits, including medical and rehabilitation expenses and up to $300 per week for wage loss, through their Basic insurance from ICBC. In all other provinces in Canada, auto insurance is based on some variant of no-fault or mixed no-fault and tort systems, which means that compensation can be based on predetermined benefit schedules regardless of who is at fault, there may be thresholds and/or caps or deductibles on pain and suffering awards, and there may be little or no ability to sue for further damages. These differences make inter-provincial comparisons difficult since the products, services and cost structures of each are unique.

Autoplan brokers are key business partners, distributing ICBC's insurance products and providing other services. ICBC and brokers are guided in this partnership through a Strategic Accord, which was renewed in 2007, and Autoplan Agency Agreements that govern the contractual relationship between ICBC and individual agencies.

The collision repair industry provides auto repair services to BC motorists. In 2005, ICBC, the Automotive Retailers Association (ARA), and New Car Dealers Association (NCDA) negotiated a three-year Collision Repair Industry Agreement that commits the parties to a performance-based system that supports the delivery of safe, quality, guaranteed repairs.

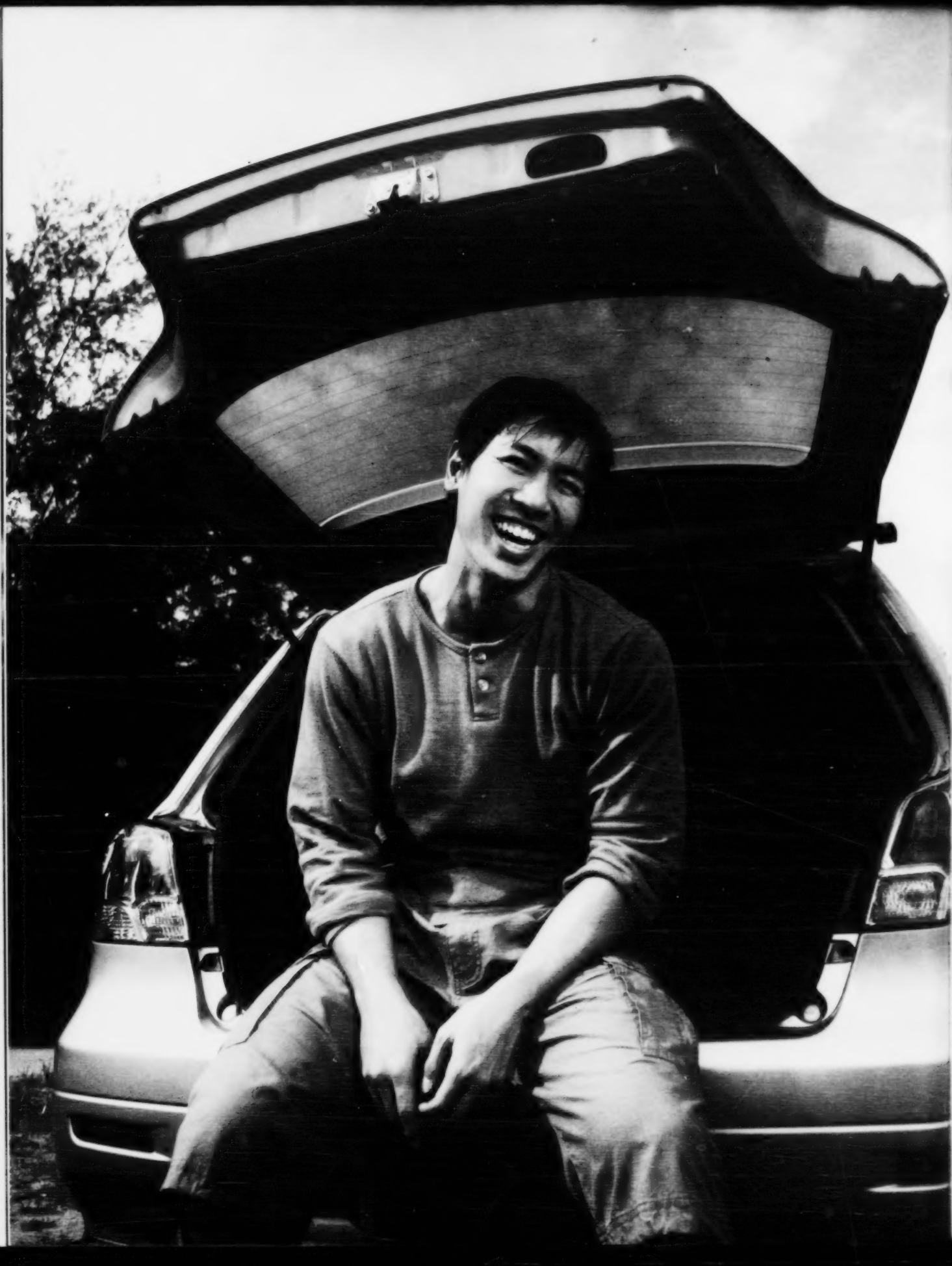
We invest in road safety and loss management programs that provide a direct benefit to our customers by reducing claims costs, which ultimately helps keep rates low and stable. Road safety and loss management includes a number of activities, such as road improvement and road safety planning, funding for enhanced traffic law enforcement initiatives, public education and awareness campaigns, fraud prevention, and auto crime prevention. We work with many partners across the province in delivering these programs, including the Ministry of Public Safety and Solicitor General, the Ministry of Transportation, local governments, the law enforcement community, brokers, and community groups and volunteers.

non-insurance services

In addition to our insurance products and services, ICBC also provides a number of non-insurance services on behalf of the provincial government, which include vehicle registration and licensing, driver licensing, and government fines collection.

We manage the issuance of vehicle licence plates and decals through a network of brokers who perform vehicle registration and licensing functions at the time of insurance purchase. This linkage between vehicle registration and licensing and the issuing of compulsory insurance minimizes the number of unlicensed and uninsured vehicles operating in BC.

The driver services we provide include driver testing and licensing, and administering the Graduated Licensing Program and regulations that govern the driver training industry. We also support the Office of the Superintendent of Motor Vehicles' programs relating to driver fitness, driver improvement and vehicle impoundment. By helping to put the right drivers on the road with the right skills, these programs and services contribute to safer roads for all British Columbians.



report on performance

At ICBC, our vision is to be BC's preferred auto insurer, providing protection and peace of mind. This vision guides us in our operations and highlights that we are a BC-based auto insurance company dedicated to BC motorists. We provide protection and peace of mind for British Columbians by delivering reliable auto insurance at low and stable rates, and through other activities such as driver services, public awareness campaigns and investments in road safety.

Our customer focus is highlighted in our mission to deliver quality auto insurance products and services at competitive prices through a knowledgeable team committed to our customers. Together, the vision and mission are supported by four corporate goals: customer focus; financial responsibility; high-performing, capable and engaged people; and, operational excellence.

2007 was a year of significant achievement and progress. We improved products and services, and our customer satisfaction scores for insurance services, claims services and driver services all met or exceeded 2007 targets. ICBC is proud to be a sponsor of the 2010 Olympic and Paralympic Winter Games and in 2007 introduced the popular 2010 Winter Games Licence Plate that customers may purchase in support of the Games.

A key focus for this year was the successful transition to the new Optional insurance regulatory framework that applies to all providers of Optional insurance in BC and took effect on June 1. Changes involved the establishment of a separate policy contract for Optional insurance, along with significant changes in forms, systems and processes for ICBC and for the brokers who distribute our insurance products.

ICBC's financial results were strong in 2007, with net income of $642 million. The sale of our Central City development in Surrey, strong equity gains realized on our investment portfolio, growth in the sale of our insurance products, moderating claims cost increases and continued focus on prudently managing operating costs all contributed to the 2007 results.

ICBC's investments in road safety and loss management programs are aimed at helping to reduce crashes and keep insurance rates low and stable for safe drivers. We are continuing to develop and implement measures to address rising claims cost pressures, such as proposals submitted to the BC Utilities Commission (BCUC) in 2007 to help make premiums more reflective of risk.

Strategies to attract, develop and retain high-performing, engaged and capable employees are important to our ability to achieve our goals. Although employee engagement results for 2007 fell short of our target for the year, our overall engagement score has been improving since the company started taking the survey in 2004. This reinforces our view that building engagement is a long-term process that requires dedicated effort and consistent focus.

Looking ahead, we will continue to focus on providing an improved customer experience. The ongoing management of claims costs will continue to be important to ICBC and to maintaining low and stable rates. Our road safety partnerships with government, enforcement bodies, business partners and local communities are important aspects of our ongoing campaign to reduce crashes.

In addition to working with the Province on an enhanced driver's licence as an alternative form of identification for land and sea cross-border travel between Canada and the United States, ICBC is working with the provincial government on enhancing the overall security of the BC driver's licence. We also support government's commitment to address the Province's climate change challenge and will be engaging our employees to develop ideas and new solutions. We will meet the targets set out by the provincial government of achieving carbon neutrality for ICBC by 2010.

To assess progress against our goals and objectives, we rely on a number of financial and non-financial corporate performance measures. Where possible, the company uses standard industry measures that enable benchmarking with other insurers. In other cases, because our business model is somewhat unique among property and casualty (P&C) insurers, we develop distinct measures relevant to the area of performance. Performance against these measures is monitored throughout the year and actions are taken to address significant variances.

ICBC data used in the calculation of performance results are derived from the company's financial and operating systems. Controls over our financial systems are periodically reviewed by ICBC's internal and external auditors. ICBC recognizes the inherent limitations in all control systems and believes the systems provide an appropriate balance between costs and benefits desired.

Independent surveys used in assessing customer satisfaction are conducted by experienced and reputable firms. Where external sources of data are used, the most current available information is used.

The following sections provide further information on ICBC's goals, objectives and key strategies, as well as our 2007 performance results relative to the measures and targets outlined in ICBC's 2007 – 2009 Service Plan. Performance targets for 2008, as outlined in ICBC's 2008 – 2010 Service Plan, are also provided.

goal: customer focus

customer focus
multi-year objectives and strategies: 2007 – 2009 Service Plan*

objectives:

Be an auto insurance company our customers trust to:

- deliver exceptional value, including competitive and stable prices
- provide hassle-free claims service
- be easy to deal with in all aspects of our business

Provide customers with ICBC products that best match their needs in partnership with independent brokers

measures:

- insurance services satisfaction
- claims services satisfaction
- driver services satisfaction

strategies:

Strengthen our underwriting ability

Create an integrated customer experience around all major touch points, focusing on value attributes important to customers

* *Objectives and strategies for 2008 and future years are reflected in ICBC's 2008 – 2010 Service Plan*

Being customer focused means understanding customers' needs and expectations and building a relationship of trust. At ICBC, we work to enhance customer satisfaction by delivering services in a fair and respectful manner, and by enhancing service delivery and interactions with key business partners.

There were a number of significant achievements in 2007. To strengthen underwriting, ICBC is working, over time, to establish a stronger association between premiums and risk. The proposals in ICBC's 2007 Rate Design Application to the BCUC demonstrate this, with changes such as the Driver Risk Premium and rate rebalancing to adjust rates for various territories, classes and lines of insurance. The rate adjustments were designed to be revenue neutral; meaning that there will be no net increase in premiums collected by ICBC as a result of these changes.

In 2007 we completed numerous systems and business process changes to successfully transition to the new legislative and regulatory framework for Optional insurance. Legislation passed in 2006 by the provincial government creates a common auto insurance framework for all providers of Optional auto insurance in BC. With these changes, which came into effect on June 1, 2007, ICBC began providing an Optional Autoplan Policy booklet, which helps customers understand their coverages.

Autoplan brokers are a key business partner in delivering ICBC's insurance products and services and this is reflected in our corporate strategy. In 2007, we affirmed our commitment to our partnership with brokers through ratification of a new five-year Accord covering customer commitment, distribution, remuneration, and our working relationship.

To meet our customers' needs and enhance service delivery, new hours of service were implemented at several claim centre locations in 2007. Improvements were also made to icbc.com to make information more readily accessible for customers. In addition, our new brand promise to earn the confidence of drivers in BC by working to keep premiums low, improving driver well-being and proactively partnering to reduce crashes was introduced in 2007.

We undertook measures to address customer and business needs in response to unforeseen events during 2007. This included development of an ICBC Flood Response Plan to prepare for and minimize the risk of damage from flooding and maintain services, as well as communicating with customers to encourage them to prepare for and drive with caution in areas and times of particular risk. Another example was our work with public and private sector interests to streamline the handling of claims related to failed seal-coating on Highway 18 on Vancouver Island.

Driver licensing initiatives have also been a key focus for ICBC. We are continuing to work with the Province on measures to improve service and to enhance the security of the BC driver's licence, including greater harmonization of driver licensing standards with other Canadian jurisdictions.

We are also working with the federal governments in Canada and the United States and the provincial government on an enhanced driver's licence to offer BC drivers an alternative form of identification for land and sea cross-border travel between Canada and the United States.

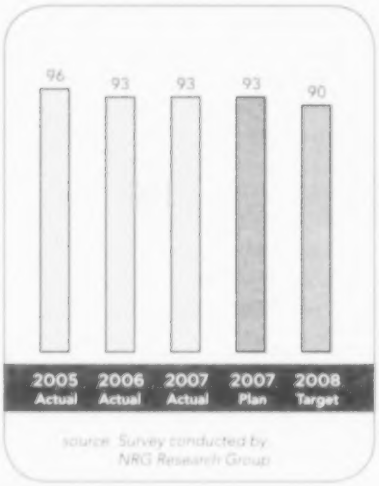
performance measures, targets and results

insurance services satisfaction

Each year, ICBC and independent brokers issue over three million policies for customers. The insurance services satisfaction measure represents the percentage of customers satisfied with a recent insurance transaction and is based on quarterly surveys performed by an independent research firm that surveys over 1,000 customers over the course of a year.

This measure is typically over 90% and is evidence of the positive relationship ICBC and its brokers enjoy with customers. For 2007, the results were 93% which represents a high level of customer satisfaction and is consistent with both the actual result from 2006 and the plan for 2007. The 2008 target is set at 90%, a decrease from actual 2007 results. We believe our customers value the ease of the existing insurance renewal process. It is anticipated that business changes will likely result in additional time spent by brokers with customers to complete their transactions. As a result, brokers and ICBC are expecting a slight drop in 2008 in overall customer satisfaction for the insurance transaction.

insurance services satisfaction (%)



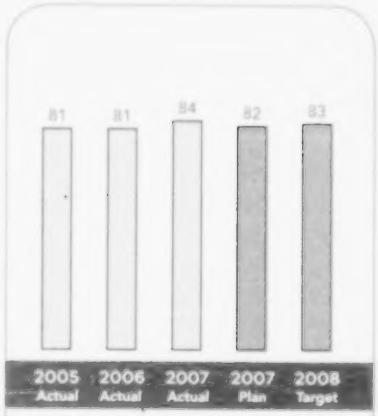
source: Survey conducted by NRG Research Group

claims services satisfaction

Almost one million customer claims are handled each year through ICBC's Dial-A-Claim and claims centres across the province. The claims satisfaction measure represents the percentage of customers satisfied with a recent claims transaction and is based on a representative sample of approximately 7,500 customers surveyed throughout the year.

For 2007, ICBC's claims services satisfaction was 84%, which is higher than 2006 actual results and the 2007 plan. This means more than four out of five ICBC customers who have experienced a crash, theft, or other insurable incident are satisfied with our service. The 2008 target is consistent with historical experience.

claims services satisfaction (%)



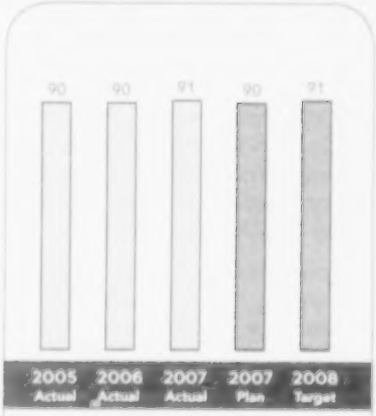
source: Survey conducted by NRG Research Group

driver services satisfaction

Each year, ICBC provides over 1.4 million driver licensing transactions for customers. The driver services satisfaction measure represents the percentage of customers satisfied with a recent driver transaction with ICBC. The transaction could relate to renewing a licence, taking a knowledge test, or undergoing a road test. The measure is drawn from a sample of approximately 4,000 customers surveyed annually by an independent firm and is weighted by the number of transactions for each type of service.

The 2007 results for driver services satisfaction are slightly higher than 2006 actual results and the 2007 plan. This measure is typically at or over 90% and is indicative of our commitment to customer service. The 2008 target is consistent with the 2007 result.

driver services satisfaction (%)



source: Survey conducted by NRG Research Group

goal: financial responsibility

financial responsibility
multi-year objectives and strategies: 2007 – 2009 Service Plan*

objectives:

Achieve financial strength through:

- appropriate pricing
- reducing the growth in claims costs
- a disciplined approach to managing operating costs
- maximizing investment return based on acceptable risk

measures:

- minimum capital test
- combined ratio
- loss ratio
- expense ratio
- investment return

strategies:

Reduce the growth of bodily injury claims with claims handling improvements, targeted crash prevention programs, and product and underwriting refinements

** Objectives and strategies for 2008 and future years are reflected in ICBC's 2008 – 2010 Service Plan*

Being financially responsible provides the foundation to achieve our other goals. ICBC's strong financial performance over the last several years allows us to keep rates low and stable for our customers.

In 2007, a number of accomplishments helped further ICBC's financial responsibility objectives. For example, to address the objective of appropriate pricing, our 2007 Rate Design Application to the BCUC included measures to better link premiums with risk.

Although the growth in claims costs appears to be moderating, claims costs continue to be a concern. In 2007, current year claims costs increased by approximately $102 million over 2006 and the average cost of injury claims increased by 6.8%. The majority of injury claims costs are borne by Basic insurance and the BCUC approved a 3.3% increase in rates for Basic insurance effective May 1, 2007.

Optional insurance is less impacted by injury claims costs. In early 2007, we announced changes to rates for Optional insurance to lower premiums for our better-risk customers. These changes resulted in a 3.8% decrease in the average premiums for Optional insurance coverage, which took effect on May 1, 2007.

For 2007, ICBC continued to concentrate on addressing claims cost pressures. Claims costs are a function of both the number of claims and the severity, or average cost, of those claims. The number and severity of bodily injury claims are affected by factors including driving behaviour, the legal environment, medical care costs, and claims handling processes.

High-risk drivers are a serious concern. We invest in road safety programs designed to prevent crashes caused by unsafe driving, including measures to increase public awareness and reinforce driver accountability. In 2007, we implemented a new high-risk driving public awareness campaign, as well as campaigns targeting speed, alcohol and pedestrian-related risks.

We are working with health care professionals regarding the claim and legal systems to raise awareness and promote an understanding of ICBC's coverages and processes. We also continued to improve the claims handling processes in 2007.

Changes were made to the Graduated Licensing Program (GLP) in 2007 to improve on prior successes by further

reducing crashes and controlling claims costs. Previously, new drivers who completed a GLP-approved course through a designated driver training school were eligible for a three-month time reduction in the twelve-month Learner stage of the program. Based on research on crash risks, this incentive was removed and replaced with eligibility for a six-month reduction in the twenty-four month Novice stage of the program.

performance measures, targets and results

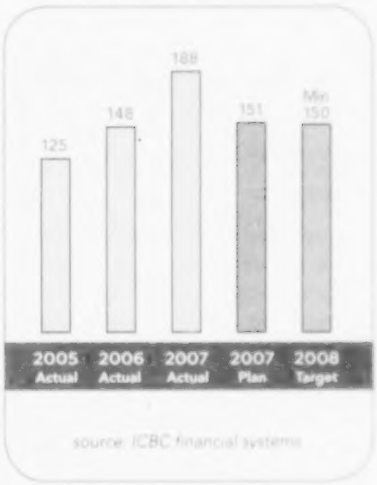
minimum capital test

Minimum capital test (MCT) is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. MCT measures capital available compared to capital required and is used to assess whether a company has sufficient capital to protect policyholders from financial risk and to provide long term financial stability. Appropriate levels of capital help protect customers by providing stability in the face of significant, externally-driven negative impacts to the business.

ICBC's 2007 MCT was 188%.[1] This is higher than 2006 actual results and the 2007 plan due to ICBC's 2007 higher net income. Net income increases the amount of retained earnings held by the Corporation, thereby increasing available capital.

ICBC intends to maintain a capital target of a minimum of 150% in order to comply with its capital management plan target.

minimum capital test (%)



source: ICBC financial systems

combined ratio

The combined ratio is a key measure within the insurance industry for overall profitability and is the ratio of costs to premium dollars earned. A ratio below 100% indicates an underwriting profit (i.e. premiums are sufficient to cover all costs) while a ratio above 100% indicates an underwriting loss (i.e. premiums are not sufficient to cover all costs). Insurance costs that affect the combined ratio are claims costs, claims-related costs and operating costs, including acquisition costs.

ICBC's combined ratio is higher than typical for the property and casualty (P&C) industry and reflects our ability to pay more of each premium dollar towards claims and related costs. The higher combined ratio also reflects ICBC's plans to use investment income to cover some costs. In contrast, P&C insurers generally plan for investment income to be part of their profits. ICBC's premiums are set to recover all costs, including non-insurance costs, and to achieve and maintain capital targets. ICBC delivers non-insurance services on behalf of government. In 2007, non-insurance costs represented 2.6 percentage points of the combined ratio and were lower than in 2006. This is primarily due to the March 31, 2006 completion of ICBC's three-year

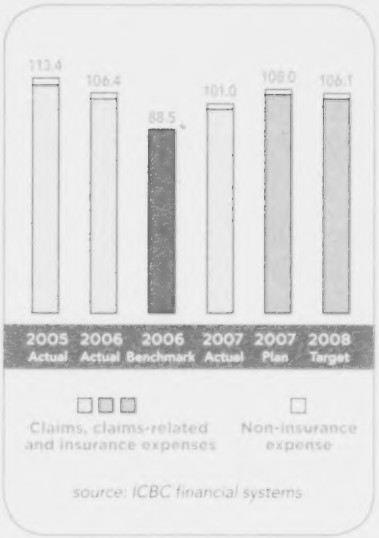
[1] *The 2007 MCT reflects OSFI's change to the MCT calculation to incorporate the new Financial Instrument accounting standards that took effect January 1, 2007; the 2007 actual MCT using pre-2007 guidelines would be approximately 183%.*

agreement to provide funding to the provincial government for commercial vehicle compliance operations that were transferred to the Province from ICBC in 2003.

After a significant increase in ICBC's combined ratio in 2005, primarily due to higher injury claims costs, ICBC's 2007 combined ratio of 101.0% is better than both 2006 actual results and the 2007 plan. The 2007 results improved compared to plan primarily due to higher premium revenue, some moderation in the increase in claims costs, lower acquisition costs due to a deferred premium acquisition cost (DPAC) adjustment that had a positive impact on ICBC's results, and a one-time gain on the sale of a claim centre property. The P&C 2006 industry benchmark was 88.5%.[2]

The combined ratio target for 2008 is higher than 2007, reflecting current expectations about policy growth and rates, a return to more normal longer term claims trends, a lower expected adjustment to DPAC, and an increased level of investment in ICBC's infrastructure and business processes.

combined ratio (%)



source: ICBC financial systems

loss ratio

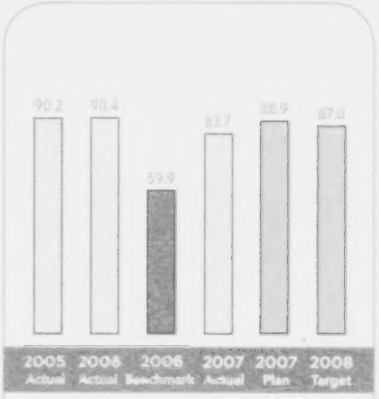
A key performance indicator within the insurance industry is the loss ratio, which is a measure of the insurance product's profitability. This measure is the ratio of the total of claims and claims-related costs, including loss management costs, to insurance premium dollars earned; the lower the percentage, the more profitable the product.

Our loss ratio is typically higher than the P&C industry because our premiums are set to recover costs and to achieve and maintain capital targets. As reflected in the expense ratio, we have lower relative operating costs and can pay more of each premium dollar towards claims and related costs; this results in a higher loss ratio. In addition, ICBC is mandated to provide Basic insurance to all drivers in BC, including the category of high-risk drivers whose claims costs are proportionally higher. This results in a higher loss ratio for ICBC relative to those insurers who may limit their exposure to such business.

In 2007, ICBC's loss ratio was 83.7%, which is better than the 2006 actual results and the 2007 plan. The improvement compared to plan and the prior year is primarily due to higher premiums earned combined with some moderation in the increase in the cost of claims and a favourable prior years' claims adjustment. The 2007 P&C industry benchmark is not yet available; however, the 2006 P&C industry benchmark was 59.9%.[2]

The 2008 target shows an increase from 2007 actual results and reflects a return to longer term claims trends in the number and severity of claims for 2008 and reflects current expectations for premium revenues. In addition, the loss ratio includes some costs associated with internal climate change initiatives and business changes in the areas of claims services and road safety and loss management.

loss ratio (%)



source: ICBC financial systems

[2] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2007 Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC)*

expense ratio

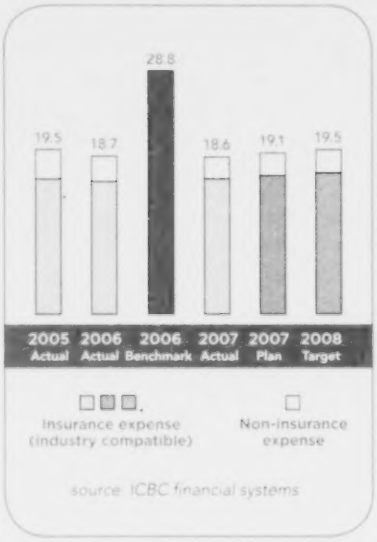
The expense ratio is a standard industry measure for assessing the operational efficiency of an organization and is the ratio of non-claims costs to insurance premium dollars earned. It includes operating costs that are not directly related to servicing claims such as general administration, commissions paid to brokers, taxes paid to government on premiums written, product design (underwriting), and non-insurance costs such as those associated with driver licensing and vehicle registration. To facilitate comparisons with industry benchmarks, the expense ratio excludes the impact of one-time non-recurring items and adjustments to DPAC.

For ICBC, the expense ratio consists of two key components; the insurance expense ratio and the non-insurance expense ratio. ICBC incurs costs for non-insurance expenses such as driver licensing, vehicle registration and licensing, and government fines collection that other insurance companies do not incur. Segregating expenses in this way allows us to better manage the costs of operating our insurance business and more accurately reflects the distinct nature of ICBC's operating model relative to other automobile insurers.

ICBC's expense ratio for 2007 was 18.6%. This is better than the 2006 actual results and the 2007 plan. This reflects our continued focus on prudent financial management, as well as growth in premium revenue. ICBC's expense ratio which, unlike the insurance industry, includes non-insurance costs, is considerably lower than the 2006 P&C industry benchmark of 28.8%[3] (an expense ratio specific to auto insurance is not available). ICBC believes that while the auto insurance expense ratio for the industry would be slightly lower than the overall P&C expense ratio, ICBC's expense ratio is lower than industry due to our ability to achieve economies of scale, the benefits of integrated operations, and lower marketing, underwriting, acquisition and general administration costs.

The 2008 target for ICBC's expense ratio reflects current expectations about premiums, operating costs, business initiatives and general inflationary increases. It also includes expected amounts to address internal climate change initiatives. Expected higher acquisition costs are also included, reflecting the changes under the Broker Accord with ICBC's broker partners.

expense ratio (%)



source: ICBC financial systems

[3] MSA Research Inc., MSA Benchmark Report: Property and Casualty, Canada, 2007. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC).

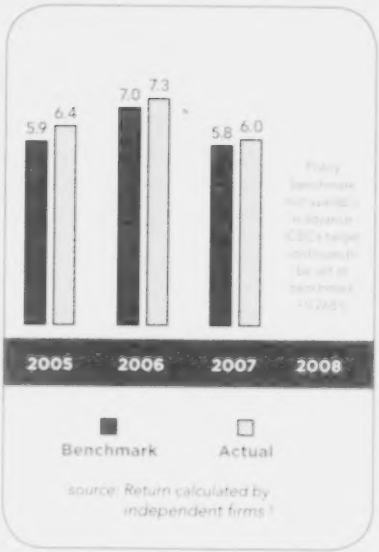
investment return

ICBC manages an investment portfolio with a carrying value of approximately $9.6 billion at the end of 2007. The portfolio is conservatively invested with the majority of assets held in investment grade bonds. These assets are held primarily to provide for future claims payments and unearned premiums. The income earned on these investments helps to reduce the amount of premiums needed from policyholders.

Investment returns, which incorporate both changes in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard industry benchmarks. In addition, the return of the overall portfolio is measured against a policy benchmark calculated as the average of individual asset class benchmark returns weighted according to the portfolio's strategic asset mix. Asset class benchmarks and strategic asset mix are outlined in the ICBC Statement of Investment Policy and Procedures established by ICBC's Board of Directors.

ICBC's investment returns continue to compare favourably to market returns. Over a four-year period, ICBC has established an added value objective to exceed the four-year annualized market-based benchmark by 0.268%. For 2007, ICBC's four-year annualized return was 6.03% and the comparable market benchmark was 5.79%[4]. The difference of 0.24% narrowly missed the added value objective of 0.268%. In comparison, for 2006, ICBC's four-year annualized return was 7.32%, a difference of 0.34% compared to the market benchmark.

investment return (%)
(four-year annualized)



source: Return calculated by independent firms

[4] Sources: DEX Debt Market Indices, S&P TSX Composite Capped Index, Morgan Stanley Capital International (MSCI) EAFE Index, S&P 500, Merrill Lynch Government Bond Indices.

goal: high performing, engaged and capable people

high-performing, engaged and capable people
multi-year objectives and strategies: 2007 – 2009 Service Plan*

objectives:

Create a performance-driven company by:

- developing our people
- strengthening our leadership capability
- improving employee accountability for delivering results

measures:

- employee engagement index

strategies:

Position ICBC's workforce to effectively support the corporate strategy by improving leadership capability and talent management processes and outcomes

* *Objectives and strategies for 2008 and future years are reflected in ICBC's 2008 – 2010 Service Plan.*

Being able to position ICBC as BC's preferred auto insurer depends on the performance of our employees. We can best deliver on our commitments to operational excellence, financial responsibility and to our customers by having high performing, engaged and capable employees. We rely on the expertise of our employees to deliver value to customers and we are committed to providing a working environment that gives people the tools and training they need to be effective in their roles.

For 2007, leadership development, succession planning, recruitment, and performance management were key areas of focus. We implemented a leadership development program for first line managers to help them enhance their skills and abilities. We established a succession planning process at the senior level and increased our participation in job fairs to enhance our profile as an employer. We also extended performance management to approximately 1,200 unionized employees to help us continue to align employee efforts across the company through a common performance management system.

We launched a series of communication programs to enhance dialogue with the company's senior leaders. A key part of these communications was the rollout of the company's updated corporate strategy to all employees through a series of sessions held across the province. We also created an executive blog and launched a web conference that brings managers together with senior executives on a quarterly basis to share information on corporate performance and financial results.

We are committed to adding value to our communities. ICBC and COPE 378 continue to be proud supporters of United Ways across British Columbia. In 2007 our employees once again demonstrated their generous community spirit by donating time and money to the annual fundraising campaign. Participation increased in 2007 and we raised more than $790,000. These efforts were acknowledged by the United Way in awarding our campaign with the Quantum Leap Giving Award and COPE 378 with the Exceptional Service Award.

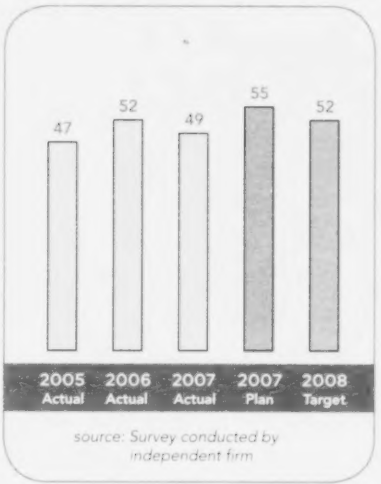
performance measures, targets and results

employee engagement

This measure represents the overall level of engagement of ICBC employees, as defined by how positively they speak about the organization to co-workers, potential employees, and customers; the level of desire they have to be a member of the company; and the degree of extra effort and dedication they are willing to apply to doing the best job possible.

ICBC's employee engagement score in 2007 is 49%. Although we did not achieve our target, it is important to note that working towards a more engaged workforce is a long-term process and that the overall engagement results have moved forward since 2004. We recognize that further work needs to be done, specifically in advancing people strategies that drive business results. The target for 2008 has been established at 52%, indicating the company's commitment to improve overall employee engagement.

employee engagement index (%)



source: Survey conducted by independent firm

goal: operational excellence

operational excellence
multi-year objectives and strategies: 2007 – 2009 Service Plan*

objectives:

Deliver efficient and high quality service by:

- simplifying and enhancing key business processes
- minimizing system support costs to enable renewal of insurance and claims systems
- building our competitive capabilities in underwriting, marketing and business analytics

measures:

- insurance operating cost per policy
- driver services cost per transaction

strategies:

Examining key business processes critical to ICBC's success in the market, and set priorities for investment over the next three years

* *Objectives and strategies for 2008 and future years are reflected in ICBC's 2008 – 2010 Service Plan.*

Operational excellence is about continued focus on delivering efficient and high quality services. This includes implementing ongoing business process and customer service enhancements, addressing immediate service pressures at customer contact points, and ensuring we have ongoing internal capabilities to deliver on our corporate strategy now and for the future. It also means a stronger focus on systematically prioritizing and implementing business improvements and infrastructure spending.

Technologies and systems investments are a key way to enhance service efficiency and quality. In 2007, we invested in a number of upgrades that allow us to carry out existing processes more efficiently and to extend our future capabilities. Examples include upgrades to the software used to manage our business systems, greater mobility through upgrades to wireless capabilities in a number of facilities, and software improvements to better support remote access requirements.

Another major development is the multi-year Material Damage Estimating Platform (MDEP) project aimed at providing up-to-date tools and technology for vehicle repair estimating, digital imaging and total loss management. As part of this longer term project, in 2007 we implemented a new document and imaging system to improve the processing of claims through Express Repair shops and ICBC.

We are also reviewing and making improvements to many of our business processes. This includes looking at all customer touch points in the claim process, from crash to claim resolution, in order to be able to better deliver service to our customers.

In addition, we are improving our driver licensing services, products and processes to ensure that we can meet service and security demands now and in the future. Examples of changes made in 2007 to support operational excellence include establishing new agreements with appointed agents that clarify roles and responsibilities and set out an accountability framework, and implementing new queue technology to enhance customer service and streamline the workload of client service representatives.

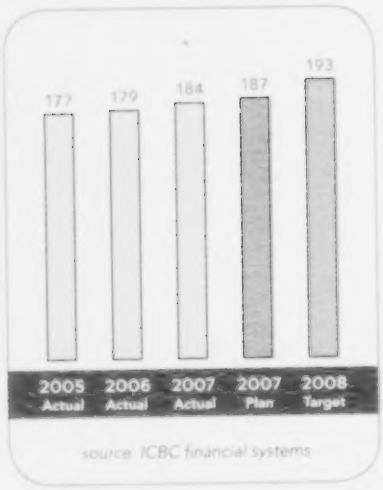
performance measures, targets and results

insurance operating cost per policy

This measure reflects the cost of service delivery of all insurance-related activities including sales and marketing, internal and external costs of handling claims, road safety and loss management programs, and administrative and associated support services. These costs are divided by the number of gross annualized Basic and Optional policies written to arrive at the cost per policy. In general, our ability to meet our cost per policy target in the face of growing cost pressures indicates an overall improvement in the efficiency of the company's insurance operations.

For 2007, the actual result of $184 is better than the plan of $187, reflecting lower operating expenses and acquisition costs and a higher number of policies. The target for 2008 is $193, reflecting anticipated operating cost pressures, higher average acquisition costs and higher allocated expenses primarily related to legal fees and disbursements. The increase in operating expenses reflects an increase for business change and road safety initiatives and includes amounts to address internal climate change initiatives, and higher acquisition costs that reflect changes in the renewed Broker Accord with ICBC's broker partners.

insurance operating cost per policy ($)

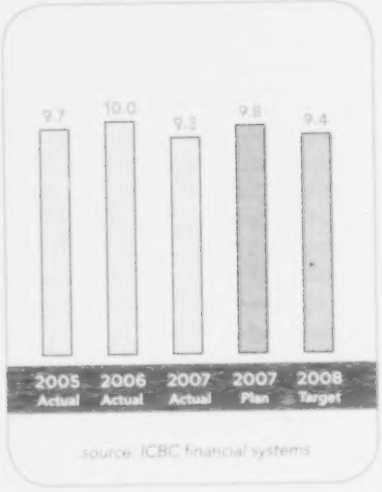


driver services cost per transaction

This measure reflects the costs of delivering driver licensing services based on the number of driver services transactions. Transactions include issuing and renewing driver licences, issuing BC Identification cards, address changes, and driver tests. Similar to the Insurance Operating Cost per Policy measure, in general, our ability to meet our Driver Services Cost per Transaction target despite growing cost pressures indicates an overall increase in the efficiency of the company's driver services licensing operations.

For 2007, the actual result of $9.3 is better than the plan of $9.8 due to higher than expected transaction volumes. In addition, costs increased at a slower rate than the rate of volume increases. The target for 2008 is $9.4 and is consistent with 2007 results.

driver services cost per transaction ($)



summary of goals and performance

Goal	Objectives	Measures	Actual 2005	Actual 2006	Actual 2007	Plan 2007	Target 2008
customer focus	**Be an auto insurance company our customers trust to:**	insurance services satisfaction	96%	93%	93%	93%	90%
	• deliver exceptional value, including competitive and stable prices	driver services satisfaction	90%	90%	91%	90%	91%
	• provide hassle-free claims service						
	• be easy to deal with in all aspects of our business	claims services satisfaction	81%	81%	84%	82%	83%
	Provide customers with the ICBC products that best match their needs in partnership with independent brokers						
financial responsibility	**Achieve financial strength through:**	minimum capital test	125%	148%	188%	151%	Min 150%
	• appropriate pricing	combined ratio					
	• reducing the growth in claims costs	• claims costs, claims related expenses, and insurance expenses	109.9%	103.4%	98.4%	105.3%	103.3%
	• a disciplined approach to managing operating costs	• non-insurance expenses	3.5%	3.0%	2.6%	2.7%	2.8%
	• maximizing investment returns based on acceptable risk	total	113.4%	106.4%	101.0%	108.0%	106.1%
		loss ratio					
		• current year	87.6%	87.4%	84.7%	87.7%	85.3%
		• prior year's claims adjustments	2.6%	3.0%	(1.0)%	1.2%	1.7%
		total	90.2%	90.4%	83.7%	88.9%	87.0%
		expense ratio					
		• insurance expense ratio[1]	16.0%	15.7%	16.0%	16.4%	16.7%
		• non-insurance expense ratio	3.5%	3.0%	2.6%	2.7%	2.8%
		total	19.5%	18.7%	18.6%	19.1%	19.5%
		investment return					
		• ICBC portfolio	6.36%	7.32%	6.03%	Benchmark +0.268%	Benchmark +0.268%
		• policy benchmark	5.89%	6.98%	5.79%		
		excess	0.47%	0.34%	0.24%		
high-performing, engaged and capable people	**Create a performance-driven company by:**						
	• developing our people	employee engagement index	47%	52%	49%	55%	52%
	• strengthening our leadership capacity						
	• improving employee accountability for delivering results						
operational excellence	**Deliver efficient and high quality service by:**						
	• simplifying and enhancing key business processes	insurance operating cost per policy[1]	$177	$179	$184	$187	$193
	• minimizing system support costs to enable renewal of insurance and claims systems						
	• building our competitive capabilities in underwriting, marketing, and business analytics	driver services cost per transaction	$9.7	$10.0	$9.3	$9.8	$9.4

[1] *Excludes deferred premium acquisition cost adjustments.*
Certain comparative figures have been restated to conform to the current year's presentation.

business risks and risk management

ICBC's Corporate Risk Framework is approved by its Board of Directors and defines our approach towards the effective assessment and management of significant corporate risks. The framework considers both external and internal environments, and the risks and challenges associated with each. The objective is to identify risks, raise awareness of those risks throughout the company, and initiate further action to control significant risks. The framework is used by ICBC executives to monitor strategic risks and planned mitigation strategies. Through monitoring, new risks may emerge and other risks may be reduced or eliminated through mitigation strategies. Executive management and the Audit Committee of ICBC's Board of Directors review key corporate risks and status of the related mitigation strategies quarterly and updates are provided to the Board of Directors.

For 2007, strategic issues and risks that influenced activities and results included automobile crashes and claims costs, market volatility, capacity, and competition in the Optional auto insurance market.

- While the growth in current year claims costs moderated slightly in 2007, these costs increased by $102 million over 2006. Strategies to address automobile crashes and claims costs were a priority for ICBC in 2007, and included improvements to claims handling processes and public awareness campaigns on high-risk driving and other crash-related risks.

- Earnings from ICBC's investment assets contribute to net income and are affected by the condition of the investment markets. While market volatility had some impact on ICBC's 2007 investment returns, the company's investment policy balances the level of risk and return required to achieve ICBC's investment objectives over the long term.

- Capacity issues can relate to the business environment, a changing workforce and other requirements such as regulatory processes. For 2007, dealing with business issues and meeting requirements under a regulatory process is part of day-to-day management and did not have a significant impact on performance. With respect to a changing workforce, strategies are either in place or being developed to address this issue over the long term.

- The Canadian property and casualty insurance industry has been experiencing strong profitability and, in 2007, two new insurers entered the BC auto insurance market. With our customer focus and our commitment to competitive pricing and exceptional value, increased competition has not significantly impacted our results.

Further information on key risks and mitigating strategies are outlined on the following pages.

automobile crashes, crime and claims costs

description of sensitivities/risks

- Automobile crashes present a significant social and economic cost. Risks increase as the vehicle population grows. Changes in driver behaviours and driving conditions can either contribute to or mitigate this risk.
- Claims costs account for approximately 75% of ICBC's total expenditures. Increased claims severity, frequency, litigation and/or fraud result in higher costs, and rising injury claims costs can have a significant impact on Basic insurance rates.
- Fluctuations in claims costs can significantly impact net income. A one percent fluctuation in claims incurred costs represents a $26 - $31 million change in net income. A one percentage point fluctuation in the unpaid claims balance represents a change of approximately $54 - $64 million in claims costs.

strategies

- ICBC uses a number of strategies to address rising claims costs including:
  - road safety activities aimed at reducing crashes;
  - underwriting enhancements that set premiums to better reflect risk;
  - improvements to financial governance throughout the claims handling process; and
  - working closely with its many partners in industry to address cost pressures on an ongoing basis.
- ICBC remains focused on strategies to appropriately address injury claims costs.

financial markets

description of sensitivities/risks

- ICBC holds investment assets to provide for unpaid claims costs and unearned premiums, and for retained earnings.
- In holding such assets, investment income is earned and contributes to the company's overall net income, helping to keep rates low and stable. This income is affected by the overall condition of the general investment market.
- ICBC's investment fund has a carrying value of approximately $9.6 billion. A one percentage point fluctuation in return means a $77 - $101 million change in investment income.

strategies

- ICBC's investment policy is governed by the "prudent person" standard. The policy, which is established by the Investment Committee of the Board and approved by the Board of Directors, is based on regulatory requirements, provides guidelines for balancing the level of risk and return in ICBC's investment portfolio, and specifies a long-term investment asset mix and fixed income duration consistent with these objectives.
- ICBC follows a long term strategy and diversifies its investment holdings to manage investment return fluctuations. ICBC holds a conservative portfolio with the majority of monies invested in fixed income assets (e.g. bonds).

competitive environment

description of sensitivities/risks

- Insurance is a complex business affected by external trends, risks, and other factors that can present both significant opportunities and risks for the company.
- Changing conditions in the Optional insurance market and strong profitability in the Canadian property and casualty insurance industry create the potential for increased competition.

strategies

- ICBC monitors product profitability and develops strategies for improvement and competitive pricing models.
- The general direction is to build capacity to respond more quickly to Optional insurance market changes.
- ICBC successfully transitioned to the new legislative and regulatory auto insurance framework that came into effect June 1, 2007.

regulatory processes

description of sensitivities/risks

- As a Crown corporation, ICBC is subject to legislation and regulations applicable to all Crown organizations, particular to insurance and the auto insurance industry, and specific to ICBC and the non-insurance services provided on behalf of the provincial government. Legislative, regulatory or government policy changes could impact business systems and processes, priorities and service delivery costs.
- The BC Utilities Commission (BCUC) provides an open and transparent process for regulatory oversight of rates for Basic insurance. The BCUC process is resource intensive and an order from the BCUC could have significant implications.

strategies

- ICBC works with government to ensure that legislative, regulatory or policy changes that either directly or indirectly impact ICBC are effectively implemented. In addition, a Service Agreement was established between the provincial government and ICBC to manage the impacts of the non-insurance services that ICBC delivers on government's behalf.
- ICBC is continuing to focus on building sustainable capacity and refining processes to effectively and efficiently meet the responsibilities associated with the BCUC process.

long term financial strength of ICBC

description of sensitivities/risks

- Fiscal strength and stability is important in order for ICBC to deliver on its corporate goals.
- Healthy capital levels help protect policyholders by enabling the company to provide stability in the face of significant externally driven negative impacts.
- ICBC must meet and maintain regulated capital levels for Basic insurance, Optional insurance and the total corporation.

strategies

- Appropriately addressing claims costs is a priority (see also Automobile Crashes, Crime and Claims Costs).
- ICBC takes a disciplined approach to managing operating costs.
- ICBC has now met its established capital targets and will continue to maintain capital levels commensurate with risks.
- Capital levels are monitored on a monthly basis to identify and manage emerging issues.

business interruption

description of sensitivities/risks

- Business interruption arising from an event, physical and/or technical, could potentially disrupt service levels for insurance, driver, and claims services.

strategies

- ICBC's business interruption risk is managed through three related programs: Emergency Response Program (safe building evacuations, search and rescue, etc.); Business Continuity Planning (continued essential customer services during an interruption); and, Information Technology Disaster Recovery Planning (ICBC's Data Centre).
- ICBC continues to explore partnership opportunities with other BC government entities and Crown corporations to develop cost-effective shared solutions for disaster recovery.

customer support

description of sensitivities/risks

- ICBC's focus on customers is a key goal of the corporate strategy. Changes in service delivery, product pricing or design, ICBC programs, and evolving customer expectations can impact customer satisfaction.

strategies

- ICBC monitors customer service by measuring the percentage of satisfied customers for each major transaction type — insurance services, claims services and driver services.
- ICBC communicates with the public and stakeholders to raise awareness and provide information on ICBC products and their value.
- Policies and procedures are in place to support ICBC's commitment to fairness in all dealings with customers, including a FairClaim process to provide customers with information about decision-making and financial impacts in the claims process. The Fairness Commissioner provides an impartial review where ICBC and a customer cannot agree.
- Product offerings are reviewed based on customer needs, as well as a focus on pricing to ensure stable and competitive prices.

evolving business environment and workforce planning

description of sensitivities/risks

- Like any business, ICBC must examine and renew the business capabilities of its workforce, systems and processes to maintain and improve customer service and efficiency.
- Retention of corporate talent and planning for replacement of key positions are essential in meeting current and future business needs.
- The highly competitive labour market will impact ICBC through factors such as increasing compensation costs and the ability to attract and retain the appropriate employees.
- ICBC must continue to ensure capital spending aligns with the corporate strategy, positions the company to meet customers' needs, and leverages technology to deliver services better and more efficiently.

strategies

- ICBC is following a multi-faceted approach of recruitment, compensation, training and leadership development to attract, develop and retain talent for the future.
- The company is working to determine critical skills and knowledge gaps, investing in employee training programs, and developing succession plans for key positions.
- Process improvements are examined and implemented as appropriate and prudent.
- Reinvestments in facilities, systems and technology are made in order to maintain and improve customer service levels.
- ICBC continues to ensure capital spending aligns with all elements of its corporate strategy.

catastrophic loss

description of sensitivities/risks

- A catastrophic event (e.g. earthquake) or an extraordinarily large claim could lead to unanticipated claims costs.

strategies

- ICBC has financial protection through a reinsurance policy in the event of losses resulting from catastrophes. This policy is reviewed and renewed annually. Losses experienced in excess of a specified amount will be covered by the reinsurance policy up to the policy limits.
- The reinsurance agreement also protects ICBC against abnormally large claims losses by limiting the amount for which the Corporation is liable in any single event and in any given year.

access to personal information

description of sensitivities/risks

- As part of both insurance and non-insurance businesses, ICBC maintains personal information regarding its customers, and deals with business partners and customers over the internet. Access to personal information must be carefully managed and measures must be in place to guard against unauthorized access to this data.

strategies

- ICBC has data security measures in place, including Information Systems Security Policies governing the access and use of corporate data.
- ICBC's Code of Ethics reflects its focus on protecting access to information. The company continues to undertake significant awareness campaigns internally and with our business partners on the importance of understanding our obligation to ensure privacy of customers' personal information.
- Direct access to ICBC databases by specified third-party businesses is managed through access controls and, in some cases, formal information-sharing agreements.

reputation

description of sensitivities/risks

- ICBC is the sole provider of driver licences in British Columbia. If a licence is fraudulently obtained it could result in public safety or identity fraud issues.

strategies

- Operational processes are in place and continued efforts are made to improve and clarify the appropriate handling and use of information for ICBC managers, staff and business partners.
- ICBC is investing in enhancements to the security of BC's driver's licences, including improvements to the security of the card itself, as well as measures to improve the driver licence issuing processes.

management discussion and analysis

Strong investment income, including equity gains and the sale of the Central City development in Surrey, and higher insurance premiums earned resulted in a 2007 net income of $642.3 million, $292.2 million higher than the 2006 net income of $350.1 million. Net income also reflects some moderation in the increase in claims costs and prudent management of operating costs.

- Premiums earned were $3.5 billion in 2007; a $225.6 million increase over 2006. This was mainly the result of higher than expected growth in the number of insured vehicles, higher sales of Optional insurance coverages, and the net impact of rate changes.

- Net claims incurred costs were $2.6 billion in 2007, a 1.2% decrease from 2006. The cost of current year claims increased by 4.0% over 2006. This increase reflects a higher number of insured vehicles and poor driving conditions during the year. There was some moderation to the increase in the costs of claims from prior years resulting in a positive adjustment, mainly in the cost for outstanding injury claims.

- Premium acquisition costs were $88.3 million higher than 2006, of which $27.3 million is due to an increase in premiums earned and $61.0 million is due to a lower adjustment to deferred premium acquisition costs (see description on page 42).

- Investments continue to perform well and investment income was $611.6 million in 2007, which is $99.3 million higher than 2006. This is mainly due to the $134.5 million income from the sale of the Central City development in Surrey.

- Operating costs continue to be prudently managed. In 2007, operating costs (excluding commissions) were $522.6 million, or about 2.1% higher than in 2006.

Based on government direction, ICBC operates as an integrated company providing Basic and Optional insurance products and reports on its financial and performance results on this basis. Integrated operations provide benefits to our customers such as ease of service and savings achieved through economies of scale.

The $642.3 million net income for 2007 is based on net income from the Optional insurance business of $352.3 million and $290.0 million from the Basic insurance business. Income from the Optional insurance business reflects the financial impact of the 2007 reduction in rates for Optional insurance and continued growth in the sale of Optional coverages. The income from the Basic insurance business reflects the rate changes in 2006 and 2007 which also contributed to a positive adjustment to deferred premium acquisition costs. In addition, strong investment income and an overall improvement to prior years' claims contributed to both Optional and Basic insurance income. Detailed financial information on ICBC's Basic and Optional lines of business is included in the 2007 financial statements (note 15) included in this annual report.

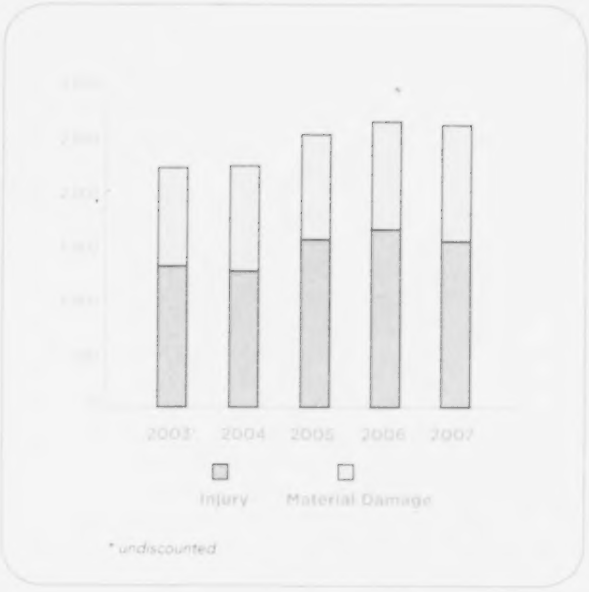
premiums

Total premiums earned increased to $3.5 billion from $3.3 billion in 2006. This was mainly the result of higher than expected growth in the number of insured vehicles. In 2007, the number of policies sold increased by over 100,000 or 3.3% as compared to 2006. The increase to premiums earned also reflects higher sales of Optional insurance coverages, partially offset by reductions in Optional insurance rates. Rates for Optional insurance decreased by an average of 3.8% in 2007. On January 9, 2008, the BC Utilities Commission (BCUC) made permanent a 3.3% increase in Basic insurance rates, effective May 1, 2007.

service fees

Service fees primarily comprise interest and other fees received from policyholders who have chosen to finance their insurance premiums over a period of six or twelve months. In 2007, service fees increased by $18.8 million over 2006. This follows the trend of higher insurance sales. In addition, 2007 was the first full year of policy renewals on the ICBC Payment Plan.

net claims incurred costs
($ millions)



claims

Claims incurred costs account for approximately three-quarters of ICBC's total expenditures and are the expected costs to settle claims for all crashes that have occurred during the calendar year, regardless of when the crash is reported to ICBC. Claims incurred costs include the payments made to settle claims, the adjusters' reserves for all reported claims that have yet to be paid, and actuarially determined estimates of claims. Claims incurred costs depend on the number of claims incurred in a year and the average expected cost to settle those claims.

In 2007, while net claims incurred costs of $2.6 billion were 1.2% lower than 2006, current year claims incurred costs increased by $102.0 million or 4.0% over 2006. There was some moderation in the increase in the costs of claims resulting in a $33.8 million favourable adjustment to prior years' claims, mainly in the cost for outstanding injury claims. In 2006, the costs to settle outstanding claims were higher than expected and resulted in a $99.0 million unfavourable adjustment to claims costs.

The number of claims reported is influenced by factors that include driving behaviour, driving experience, weather, and the effectiveness of loss management programs. For 2007 policies, the number of claims reported during the year and expected to be reported in a future year is 988,000, which is 4.1% higher than those related to 2006 policies. This is partially attributable to the increase in the number of insured vehicles during the year. In addition, poor driving conditions related to higher than normal precipitation contributed to the increase in the number of claims.

The average cost of claims is influenced by factors such as inflation, settlement awards, legal costs, medical costs, vehicle repair costs, and independent adjusting costs. The overall average cost of claims in 2007 increased over 2006, reflecting a 5.1% increase in the average cost of injury claims and a 1.9% increase in the average cost of material damage claims.

Current year claims incurred costs also include a favourable discounting adjustment as compared to 2006 (see page 40 for further discussion on claims discounting).

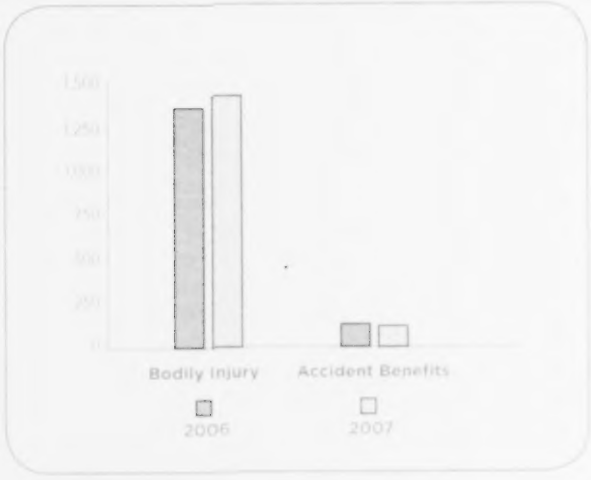
injury claims

Injury claims account for approximately 60% of claims incurred costs, and include bodily injury claims, accident benefits and death benefits. Injury claims include amounts for pain and suffering, future care, past and future wage loss, and external claims handling expenses.

Within injury claims, over 90% of all injury claims costs are for bodily injury claims. For 2007 policies, the number of bodily injury claims reported during the year and expected to be reported in a future year is slightly lower than the claims arising from 2006 policies, continuing a favourable trend toward fewer bodily injury claims in recent years.

The average cost of bodily injury claims increased by 6.8% in 2007, following a 7.6% increase in 2006. With this continuing pressure on bodily injury costs, managing these costs continues to be an area of focus for ICBC.

current year injury claims incurred (major categories)
($ millions)

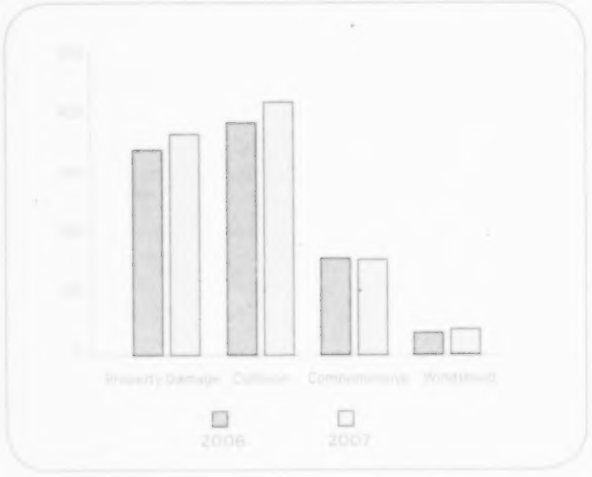


material damage (non-injury) claims

The main categories of non-injury or material damage claims are property damage, collision, comprehensive, and windshield claims. In 2007, there was a 4.7% increase in the estimated number of material damage claims, due in part to an increase in the number of insured vehicles.

The average cost of all material damage claims was 1.9% higher than in 2006, mainly due to inflation and other cost pressures, which have been contained through mutually beneficial arrangements with ICBC business partners.

current year material damage claims incurred (major categories)
($ millions)



unpaid claims and prior years' claims adjustments

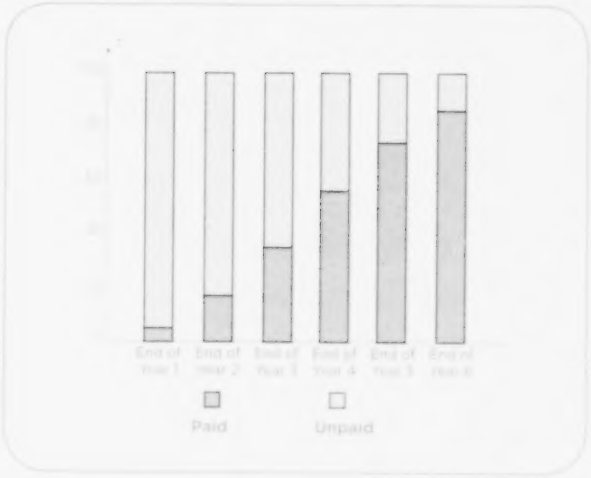
The unpaid claims reserve is money set aside in anticipation of future claims payments relating to claims that have already happened. The adequacy of this liability is reviewed and adjusted periodically throughout the year based on revised actuarial estimates which include a provision for adverse deviation (see Note 2 to the Consolidated Financial Statements). Adjustments to the prior years' claims reserves are due to the re-estimation of future claims costs for claims in progress and those incurred in prior years but not reported. ICBC commissions the services of an external actuary to provide an independent assessment of the unpaid claims reserves and, as part of its annual audit of the financial results, the external auditor reviews the adequacy of the unpaid claims reserves.

The estimate of unpaid claims at the end of 2007 was $5.6 billion; however, estimates for these future claims costs can change significantly due to the time frame in which certain types of claims are settled, which can be several years. ICBC earns investment income on funds set aside for unpaid claims, between the time that premiums are collected and the time claims are recognized and ultimately paid. In accordance with generally accepted accounting principles, ICBC reports its unpaid claims balance on a discounted basis to reflect the time value of money. The discount amount takes into account the expected timing of future payments related to unpaid claims. The discount rate is based on the weighted average of the expected rate of return on ICBC's current investment portfolio. An increase in the discount rate will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. The impact of a change in the discount rate is reflected in the statement of operations for current year claims incurred and prior years' claims adjustment for all unpaid claims.

Unpaid bodily injury claims costs account for nearly 90% of total unpaid claims costs and generally take several years to settle. As illustrated in the following chart, only a small percentage of bodily injury claims costs are paid and known in the first year of the claim's occurrence with a greater proportion of the costs being an estimate of claims costs payable in future years. As time passes, more claims are paid and more information becomes available, enabling the estimate of the remaining future claims payments to be refined. This results in adjustments to the unpaid claims reserve to reflect the most current forecast of claims costs.

During 2007, the estimated costs of settling claims for 2006 and prior years was adjusted resulting in a $33.8 million favourable prior years' claims adjustment for 2007, mainly relating to injury claims prior to 2006.

breakdown of bodily injury costs (typical accident year) (%)



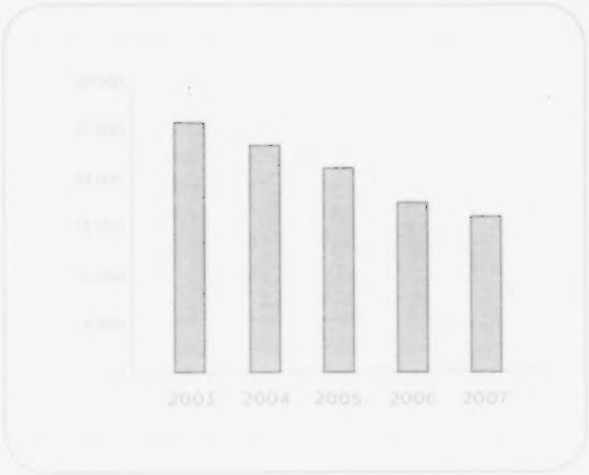
road safety & loss management

ICBC invests in road safety and loss management programs to help prevent crashes, auto crime and fraud. This contributes to low and stable rates for customers. In 2007, the Corporation invested $50.8 million in road safety and loss management programs, which include road safety, auto crime and fraud prevention.

ICBC targets its road safety investments on the major risks that impact crashes and rates, such as impaired driving, speeding and crashes at intersections. ICBC continued its successful partnership with road authorities in 2007 to reduce crashes at high-risk road locations by sharing the cost of road safety engineering programs.

ICBC's 2007 auto crime investment maintained its focus on minimizing the impact of auto theft. Support for programs like Bait Car, Stolen Auto Recovery, and Lock Out Auto Crime, along with a greater use of vehicle immobilizers, contributed to an 8% reduction in auto theft across BC in 2007. Since 2003, when auto crime peaked in BC, our combined efforts have contributed to a 38% reduction across the province, as shown in the chart below. The reduction in auto crime partially offsets claims cost pressures related to inflationary increases and changes in vehicle design.

total theft of vehicles
(number of claims reported)



ICBC's zero tolerance for fraud policy continued in 2007, supported by a Fraud Prevention and Investigation department that administers ongoing programs for the prevention and detection of fraud in all aspects of our business. In 2007, over 2,800 investigations were completed, with 98 charges laid against 88 people.

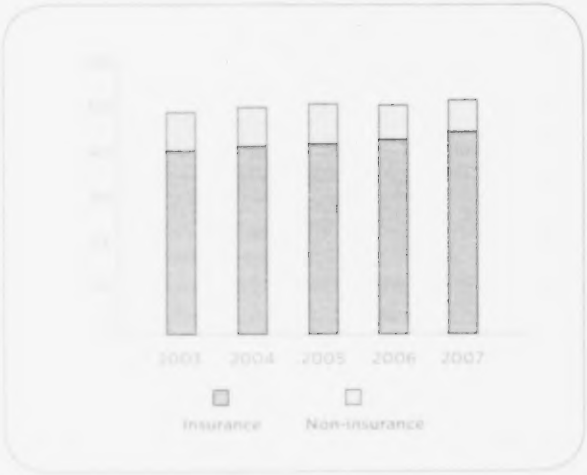
operating costs

Operating costs are defined as costs (compensation and operating costs) required to operate the insurance and non-insurance business with the exception of claims payments, insurance commissions, and premium taxes. ICBC's costs have remained relatively stable despite continual cost pressures arising from business improvement changes, technology and system upgrades, contractual arrangements, and general inflationary increases.

Included in total operating costs are non-insurance costs, which consist of costs for administering driver licensing, vehicle licensing and registration, and government fines collection. Non-insurance costs are funded from Basic insurance premiums and totalled $92.9 million in 2007 (representing 2.6% of premiums earned), $3.9 million less than in 2006, primarily as a result of the conclusion of ICBC payments to the provincial government for commercial vehicle compliance ($6.2 million was paid for this purpose in 2006). This was partially offset by increased service delivery costs, primarily to meet demand for driver licensing services.

ICBC continued to focus on managing operating costs, and ended the year with operating costs of $522.6 million, which is an increase of 2.1% over 2006, close to actual inflation in the province. The increase is mainly attributable to an increase in the spending for program changes and other initiatives, and general expense increases.

operating costs
($ millions)



acquisition costs

Acquisition costs represent the amounts paid to brokers for the sale of ICBC's insurance products, and for administering driver and vehicle licensing transactions. Acquisition costs also include premium taxes collected and paid to the provincial government. Consistent with the recognition of premium revenue earned over the policy duration, commissions and premium taxes are expensed on a similar basis. At year-end, the unexpended portion of these costs are deferred and reflected as deferred premium acquisition costs (DPAC). DPAC is written down when future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums. Conversely, a positive adjustment is made when unearned premiums are expected to exceed future claims and related expenses. The 2007 increase in rates for Basic insurance of 3.3% allowed $26.5 million more acquisition costs to be deferred. This compares to the 6.5% rate increase in 2006 which allowed an additional $87.5 million to be deferred in 2006, a difference between the two years of $61.0 million.

investments

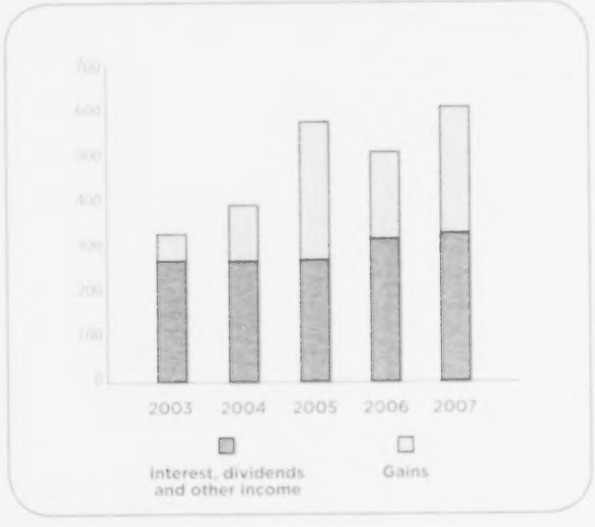
ICBC has an investment portfolio with a carrying value of approximately $9.6 billion at the end of 2007. Funds available for investment purposes come primarily from the reserves set aside for unpaid claims, unearned premiums, and retained earnings. At the end of 2007, ICBC's investment portfolio represents approximately 88% of the Corporation's assets. ICBC has a conservative investment portfolio concentrated in fixed income securities comprised of highly rated bonds, money market securities, and mortgage instruments (76% of total portfolio holdings). Equities and real estate (22% and 2% of total portfolio holdings, respectively) comprise the remainder of the portfolio.

investment income

In 2007, ICBC's investment income was $611.6 million or an increase of $99.3 million from 2006. This includes the income from the sale of the Central City development in Surrey. Overall, this equates to an accounting investment return of 6.8% compared to 6.3% in 2006, based on the average investment balance during the year on a cost basis.

Bond interest income increased in the year due to higher interest rates and larger portfolio size. The gains on equity investments were primarily realized when the investment portfolio was re-balanced from equities to bonds during a strong Canadian equity market. ICBC recognized bond losses of $21.0 million on its global bond portfolio due to changes in the US exchange rate relative to the Canadian dollar. Bond losses were also realized in the Canadian bond portfolio as bonds sold early in 2007 were impacted by rising interest rates. The chart below shows investment income over the last five years.

investment income
($ millions)



A small portion of ICBC's investment portfolio (less than 0.5% of investment assets, or about $45.1 million) is invested in non-bank issued asset-backed commercial paper (ABCP). Asset-backed commercial paper is a type of short-term money market investment that is backed by a wide variety of assets. Global fixed income markets have been experiencing a period of extreme volatility which has negatively impacted specific sectors of the Canadian money market, principally the non-bank issued ABCPs. As discussed in Note 4 to the Consolidated Financial Statements, in 2007 ICBC recorded a $7.3 million write-down of its affected ABCP to reflect the estimated fair value. The estimated fair value was calculated by discounting the expected cash flows of the securities based on currently available information. ICBC does not foresee the need to liquidate its ABCP holdings as liquidity is currently not a concern for ICBC.

equity

Effective January 1, 2007, ICBC adopted the new financial instrument accounting standards issued by the Canadian Institute of Chartered Accountants. Bonds and equities are measured at fair value on the balance sheet, with changes in fair value (unrealized gains and losses) included in a new component of equity called Accumulated Other Comprehensive Income (AOCI).

AOCI decreased from $482.4 million at January 1, 2007 to $279.0 million at December 31, 2007. The decrease of $203.4 million is comprised of a $56.2 million decrease in unrealized gains and $147.2 million in realized gains from the sale of investments.

ICBC's equity also includes retained earnings of $2,154.3 million as at December 31, 2007. Retained earnings help absorb significant unexpected increases in claims costs.

Similar to private industry, the adequacy of retained earnings or capital base is an important factor in assessing the financial stability of a company and is closely monitored by regulators. The common industry method used to measure financial stability is a risk-based capital adequacy framework which assesses assets, policy liabilities, and other potential liabilities to determine appropriate capital levels. Under this framework, property and casualty insurers are required to meet a capital available to capital required test known as the Minimum Capital Test (MCT).

In 2004, the provincial government issued Special Direction IC2, which set out target levels of capital for ICBC and the timeframes in which these must be achieved. Special Direction IC2 requires ICBC to achieve by December 31, 2014, and to maintain after that date, capital available for the total corporation equal to at least 110% of MCT. In addition, ICBC is required to achieve by the same date, and maintain after that date, capital available equal to at least 100% of MCT for the Basic insurance business. For the Optional insurance business, ICBC is required to achieve by December 31, 2010, and maintain after that date, capital available equal to at least 200% of MCT.

At December 31, 2007, ICBC's total corporate capital available of 188% of MCT exceeds the regulatory capital level set out by Special Direction IC2 and management's operating target of a minimum of 150%. In addition, both the Basic and Optional insurance businesses exceeded the regulatory capital levels and management's operating targets. It is ICBC's objective to maintain capital within management's operating targets and protect our policyholders from financial risk, while maintaining low and stable rates over the long term.

capital expenditures

In 2007, ICBC incurred $13.6 million in capital expenditures, relating to technology enhancements and facilities costs. In order to maintain ICBC's infrastructure and continue to be able to deliver service to customers, higher investments in capital will be required in the future. The requirement for an alternative data centre, replacement or upgrades of claims handling facilities and Driver Services Centres, and renewal of critical business systems will require significant capital expenditures in future years.

operating subsidiaries

Surrey City Central Mall Ltd. (SCCM) was the only active operating subsidiary of ICBC. All other holdings are nominee companies with no operations in their own right, and all financial information is included in ICBC's financial statements.

Effective August 1, 2007, ICBC sold its Central City development in Surrey. Excluding the impact of the sale, SCCM reported a seven month net operating profit of $4.5 million, based on revenues of $13.1 million and expenses of $8.6 million for 2007. ICBC reported income of $134.5 million from the sale of this property.

The financial results for SCCM are included in ICBC's financial statements and operations as shown in this annual report. In 2006, SCCM reported a net operating profit of $5.9 million, based on revenues of $21.2 million and expenses of $15.3 million, as well as a gain on real estate of $2.2 million.

summary financial performance and outlook

The table below provides an overview of ICBC's 2007 financial performance relative to its 2007 - 2009 Service Plan and a forecast of financial results for the next three years as set out in ICBC's 2008 - 2010 Service Plan. These results and forecasts form the basis upon which key performance targets are set.

($ Millions)	2006 Actual	2007 Plan	2007 Actual	2008 Plan	2009 Forecast	2010 Forecast
Premiums earned	$3,257	$3,434	$3,482	$3,613	$3,687	$3,764
Service fees	47	57	66	66	66	67
Total earned revenues	**3,304**	**3,491**	**3,548**	**3,679**	**3,753**	**3,831**
Net claims incurred [1]	2,643	2,747	2,613	2,829	2,956	3,094
Claims service and loss management	301	304	302	313	325	327
Insurance operations expenses	133	151	149	168	171	178
Premium taxes and commissions [2]	292	414	380	420	467	482
Total expenses	**3,369**	**3,616**	**3,444**	**3,730**	**3,919**	**4,081**
Underwriting (loss)/income	**(65)**	**(125)**	**104**	**(51)**	**(166)**	**(250)**
Investment income [3]	512	442	612	425	496	547
Gain on sale of property	–	–	19	–	–	–
Income – insurance operations	**447**	**317**	**735**	**374**	**330**	**297**
Non-insurance expenses	(97)	(92)	(93)	(102)	(99)	(102)
Net income	**$ 350**	**$ 225**	**$ 642**	**$ 272**	**$ 231**	**$ 195**
Long-term debt	Nil	Nil	Nil	Nil	Nil	Nil

[1] *Claims incurred include prior years' claims adjustments.*
[2] *Premium taxes and commissions include deferred premium acquisition cost adjustments.*
[3] *Investment income for 2007 Actual includes $135 million from sale of the Central City development in Surrey.*

comparison of 2007 results to plan

ICBC's net income for 2007 was $642 million, compared to a plan of $225 million. Premiums earned were $48 million higher than plan, primarily due to a higher than expected increase in the number of vehicles insured, and continued strong sales of Optional insurance products. Investment income was $170 million higher than plan due to the income from the sale of the Central City Mall development in Surrey and strong investment returns during the year.

Claims incurred were $134 million lower than plan, primarily reflecting some moderation in the rate of increase experienced over the past few years in the cost of injury claims and some favourable development of injury claims from prior years. Claims incurred also reflect a favourable discounting adjustment due to higher than expected interest rates (see page 40 for a further discussion of claims discounting). Claims services, road safety and loss management, insurance operations expenses and non-insurance expenses were below plan, demonstrating our commitment to the prudent management of costs. Premium taxes and commissions were $34 million lower than plan, mainly due to a positive adjustment to deferred premium acquisition costs (DPAC) associated with the improved profitability of the Basic insurance business (see page 42 for further discussion of DPAC). Also included is the one-time gain from the sale of a claim centre property in 2007.

ICBC's financial outlook takes into consideration the business risks and risk mitigation strategies currently in place, and expected investments to address internal climate change initiatives and road safety initiatives. ICBC's performance targets have been established accordingly, however any material changes may have a significant impact on our performance results. Further information on potential issues and risks can be found in the "Business Risks and Risk Management" section of this report. More detailed information on ICBC's outlook is provided in ICBC's 2008 – 2010 Service Plan.

management's responsibility for financial statements

Scope of Responsibility

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in conformity with Canadian generally accepted accounting principles. These consolidated financial statements include amounts that are based on management's estimates and judgements, particularly our reserves for unpaid claims. We believe that these statements present fairly the Corporation's financial position, results of operations, and cash flows, and that the other information contained in the annual report is consistent with the consolidated financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Audit Committee, composed of members of the Board of Directors, oversees management's discharge of its financial reporting responsibilities. The Committee recommends for approval to the Board of Directors the appointment of the external auditors and the external actuaries, and fee arrangements. The Committee meets no less than quarterly with management, our internal auditors, and representatives of our external auditors to discuss auditing, financial reporting, and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems; and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgements. Both internal and external auditors have access to the Audit Committee without management's presence. The Audit Committee has reviewed these financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors and Actuary

Our independent auditors, PricewaterhouseCoopers LLP, have audited the financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of the Corporation's policy liabilities which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. In performing the evaluation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries, and expenses taking into consideration the circumstances of the Corporation and the insurance policies in force. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.

Paul Taylor
President and Chief Executive Officer

March 3, 2008

Geri Prior
Chief Financial Officer

March 3, 2008

Auditors' Report

Minister of Public Safety and Solicitor General
Minister Responsible for the Insurance Corporation of British Columbia
Province of British Columbia

We have audited the consolidated statement of financial position of the **Insurance Corporation of British Columbia** as at December 31, 2007 and the consolidated statements of operations, equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

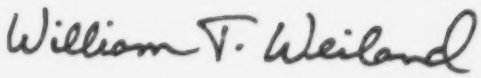
Chartered Accountants
Vancouver, British Columbia

March 3, 2008

Actuary's Report

I have valued the policy liabilities in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at December 31, 2007 and their changes in its consolidated statements of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the results of the valuation.



William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.
Vancouver, British Columbia

March 3, 2008

Consolidated Statement of Financial Position
As at December 31, 2007

($ THOUSANDS)	2007	2006
Assets		
Cash and investments (note 4)	$ 9,641,452	$ 8,470,584
Accrued interest	67,195	64,389
Amount recoverable from reinsurers (notes 6 & 7)	19,993	29,416
Premiums and other receivables (note 8)	922,192	890,144
Deferred premium acquisition costs and prepaid expenses (note 11)	184,931	145,920
Accrued pension benefits (note 9)	76,956	58,045
Property and equipment (note 5)	78,966	79,994
	$ 10,991,685	$ 9,738,492
Liabilities and equity		
Liabilities		
Cheques outstanding	$ 38,610	$ 54,153
Accounts payable and accrued charges	217,192	209,127
Bond repurchase agreements	829,492	782,605
Accrued post-retirement benefits (note 9)	113,747	100,375
Premiums and fees received in advance	51,982	49,504
Unearned premiums	1,705,367	1,615,747
Provision for unpaid claims (note 6)	5,602,048	5,419,733
	8,558,438	8,231,244
Equity		
Retained earnings	2,154,272	1,507,248
Accumulated other comprehensive income	278,975	-
	2,433,247	1,507,248
	$ 10,991,685	$ 9,738,492
Contingent liabilities and commitments (note 14)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

T. Richard Turner
Chair of the Board of Directors

T. Michael Porter
Director

Consolidated Statement of Operations
For the year ended December 31, 2007

($ THOUSANDS)	2007	2006
Revenues		
Net premiums written		
Vehicle	$ 3,554,691	$ 3,357,961
Driver	17,363	17,466
	$ 3,572,054	$ 3,375,427
Net premiums earned		
Vehicle	$ 3,464,938	$ 3,240,310
Driver	17,496	16,546
	3,482,434	3,256,856
Service fees	65,949	47,154
Total earned revenues	3,548,383	3,304,010
Claims and operating costs		
Net claims incurred during the year (note 6)	2,646,360	2,544,396
Prior years' claims adjustments (note 6)	(33,779)	99,043
Net claims incurred (note 6)	2,612,581	2,643,439
Claims services	251,192	252,657
Road safety and loss management services	50,777	48,357
	2,914,550	2,944,453
Operating costs – insurance (note 10)	148,818	132,816
Premium taxes and commissions (note 11)	380,479	292,171
	3,443,847	3,369,440
Underwriting income (loss)	104,536	(65,430)
Investment income (note 4b)	611,600	512,349
Gain on sale of property and equipment	19,117	-
Income – insurance operations	735,253	446,919
Non-insurance operations		
Provincial licences and fines (note 12)	517,617	493,176
Licences and fines transferable to the Province (note 12)	517,617	493,176
Operating costs – non-insurance (note 10)	71,811	78,128
Commissions (note 11)	21,124	18,691
	610,552	589,995
Loss – Non-insurance operations	(92,935)	(96,819)
Net income for the year	$ 642,318	$ 350,100

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Equity

For the year ended December 31, 2007

($ THOUSANDS)	2007 Retained Earnings	2007 Accumulated Other Comprehensive Income	2007 Total Equity	2006 Total Equity
Beginning of year	$ 1,507,248	$ -	$ 1,507,248	$ 1,157,148
Transitional adjustment on adoption of new accounting standards (note 3)	4,706	482,426	487,132	-
Beginning of year, restated	1,511,954	482,426	1,994,380	1,157,148
Net income	642,318		642,318	350,100
Other comprehensive income				
Net change in unrealized gains on available for sale securities	-	(203,451)	(203,451)	-
Comprehensive income	642,318	(203,451)	438,867	350,100
End of year	$ 2,154,272	$ 278,975	$ 2,433,247	$ 1,507,248

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended December 31, 2007

($ THOUSANDS)	2007	2006
Cash flow from operating activities		
Cash received for:		
Vehicle premiums and others	$ 3,924,334	$ 3,490,080
Licence fees	491,020	472,043
Social service taxes	123,066	107,472
	4,538,420	4,069,595
Collection for receivables, subrogation, and driver penalty point premiums	170,551	151,501
Salvage sales	55,212	55,293
Interest	313,512	289,068
Dividends and other investment income	37,075	40,231
Other	510	-
	5,115,280	4,605,688
Cash paid to:		
Claimants or third parties on behalf of claimants	(2,551,308)	(2,393,543)
Province of BC for licence fees, fines, and social service taxes collected	(656,163)	(615,876)
Suppliers of goods and services	(155,408)	(181,801)
Employees for salaries and benefits	(370,973)	(355,270)
Agents for commissions	(285,681)	(260,759)
Policyholders for premium refunds	(306,118)	(286,932)
Province of BC for premium taxes	(156,048)	(140,392)
Other	-	(354)
	(4,481,699)	(4,234,927)
Cash flow from operating activities	633,581	370,761
Cash flow used in investing activities		
Purchase of investments	(7,821,620)	(7,230,813)
Proceeds from sales of investments	7,233,322	6,847,117
Securities sold under repurchase agreements	(20,658)	133,979
Payments to vendors of property and equipment	(14,541)	(12,198)
Proceeds from sale of property and equipment	20,092	616
Cash flow used in investing activities	(603,405)	(261,299)
Increase in cash and cash equivalents during the year	30,176	109,462
Cash and cash equivalents, beginning of year	262,231	152,769
Cash and cash equivalents, end of year	$ 292,407	$ 262,231
Represented by:		
Cash and money market securities (note 4)	$ 331,017	$ 316,384
Cheques outstanding	(38,610)	(54,153)
	$ 292,407	$ 262,231

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2007

1. Purpose

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a Crown corporation, not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act*, R.S.B.C. 1996 chapter 228. The Corporation operates and administers plans of universal compulsory automobile insurance and optional automobile insurance as set out under the *Insurance (Motor Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act and Motor Vehicle Act*. Non-insurance services include vehicle licensing, registration, and issuance of driver licences. As a result of amendments to the *Insurance Corporation Act* in 2003, the Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to universal compulsory automobile insurance rates and services (note 15).

Universal compulsory automobile insurance (Basic) includes the following coverage: $200,000 third party legal liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $150,000 for medical and rehabilitation expenses and up to $300 per week for wage loss, $1,000,000 underinsured motorist protection, and also protection against uninsured and unidentified motorists within and outside of the Province of British Columbia (the Province). The Corporation also offers insurance in a competitive environment (Optional), which includes the following coverages: extended third party legal liability, comprehensive, collision, loss of use, and others. The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance; however, the Corporation currently only acts as a primary auto insurer.

2. Summary of Significant Accounting Policies

Basis of reporting

The consolidated financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles as required by the *Insurance Corporation Act*. The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary companies. As required by the *Insurance Corporation Act*, the Corporation reports the revenues and expenses attributable to universal compulsory automobile insurance and non-insurance separately from the other operations of the Corporation (note 15).

The following are the significant accounting policies adopted by the Corporation:

Premiums earned

The Corporation recognizes vehicle premiums, net of reinsurance premiums, over the term of each vehicle policy written. The driver premiums are taken over the driver's penalty point year. Unearned premiums are the portion of premiums relating to the unexpired term, net of any premium refunds.

Reinsurance

The Corporation reflects reinsurance balances on the consolidated statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders, and on the consolidated statement of operations on a net basis to indicate the results of its retention of premiums written.

Deferred premium acquisition costs

Deferred premium acquisition costs, represented by commissions and premium tax expenses, relate directly to the writing of policies and, to the extent recoverable from unearned premiums, are deferred and amortized to income over the term of the related policies. An actuarial evaluation is performed to determine the amount

allowable for deferral. The method followed in determining the deferred premium acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums derived from each of the Basic and Optional coverages, after giving consideration to the investment income, claims costs, and adjustment expenses expected to be incurred as the premiums are earned. A premium deficiency exists when future claims and related expenses are expected to exceed unearned premiums. Premium deficiencies are recognized first by writing down the deferred premium acquisition costs with any remaining premium deficiency recognized as a liability. The Corporation presents deferred premium acquisition costs and any premium deficiency reserves on a net corporate basis in the statement of financial position.

Provision for unpaid claims

The provision for unpaid claims and expenses represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claims expenses, and is gross of the recovery for reinsurance. Claims liabilities are established according to accepted actuarial practice in Canada. They are carried on a discounted basis (note 6) and therefore reflect the time value of money, and include a provision for adverse deviations (PFAD).

To recognize the uncertainty in establishing best estimates, the Corporation includes PFAD in the assumptions relating to claims development, reinsurance recoveries and related future investment income. The PFAD included in the unpaid claims consists of the three elements, as set out in the Standards of Practice of the Canadian Institute of Actuaries: a claims development portion that reflects considerations relating to the Corporation's claims practices, the underlying data and the nature of the lines of business written; a reinsurance recovery portion that reflects considerations relating to the ceded claims ratio and potential problem reinsurers; and thirdly, a portion for the investment return rate that reflects uncertainty in the investment portfolio yield, the investment climate in general and the rate at which claims are paid. The PFAD margins used are determined by evaluating the above considerations.

The margin for claims development is a percentage of the unpaid claims gross of reinsurance, excluding the provision for adverse deviations. The margin for recovery of reinsurance ceded is a percentage of the amount deducted on account of reinsurance ceded in calculating the unpaid claims without provision for adverse deviations. The margin for investment return rate is a reduction from the expected rate of return per annum.

As with any insurance company, the provision for unpaid claims is an estimate subject to random volatility which could be material in the near term. Variability can be caused by receipt of additional information, significant changes in the average cost or frequency of claims over time, the timing of claims payments, the recoverability of reinsurance and future rates of investment return. All changes to the estimate are recorded as incurred claims and prior years' claims adjustments in the current period. Methods of estimation have been used which the Corporation believes produce reasonable results given current information.

The estimation of claims development involves assessing the future behaviour of claims, taking into consideration the consistency of the Corporation's claims handling procedures, the amount of information available, and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates will be. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The ultimate cost of long settlement liability claims is challenging to predict for several reasons, including some claims not being reported until many years after a policy term, or changes in the legal environment. Provisions for such difficult to estimate liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns, current socio-economic trends and structured settlements provided in the form of consistent periodic payments as opposed to lump sum payments (note 14a).

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. Effective January 1, 2007, the provision for unpaid claims includes increases to the BC Supreme Court tariff of costs used to compute legal costs for indemnification of successful litigants.

Investments and investment income

The Corporation designates all financial instruments as available for sale (AFS), held for trading (HFT) or loans and receivables (Loans). The Corporation's financial assets and liabilities, including all derivatives, are recorded on the consolidated statement of financial position at fair value on initial recognition and subsequently accounted for based on their classification as follows:

Available for Sale	The Corporation has designated its bond and equity portfolios, which comprise the majority of the Corporation's assets, as AFS. AFS financial assets are measured at fair value based upon available information. When neither an active market nor independent prices are available, the Corporation applies other valuation techniques to estimate fair value. Changes in the fair value of AFS securities are recorded in other comprehensive income (OCI) in the consolidated statement of equity, until the financial asset is disposed of or becomes other than temporarily impaired, at which time it will be recognized in the consolidated statement of operations.
Held for Trading	Financial assets purchased for short term investment objectives are classified as HFT. Financial assets and derivatives classified as HFT are carried at fair value on the consolidated statement of financial position with realized and unrealized gains and losses recorded in investment income.
Loans and Receivables	Mortgages not traded in an active market are classified as loans and carried at amortized cost using the effective interest rate method.

Real estate held for investment consists of income-producing properties, which are recorded at cost.

Income on interest-bearing securities is accrued daily. Dividends on equity investments are recognized as income on their payment dates.

If the value of an investment suffers a loss in value that is other than temporary, the investment is adjusted to the fair value with the adjustment being included in the consolidated statement of operations.

The Corporation also participates in the sale and repurchase of Government of Canada, Provincial and U.S. Treasury bonds which are sold and simultaneously agreed to be repurchased at a future date with the market repurchase rate determining the forward contract price. These sale and repurchase arrangements are accounted for as financial liabilities unless they qualify as an effective hedge. The difference between the sale price and the agreed repurchase price on a repurchase contract is recorded as interest income or expense.

Hedging and derivative instruments

A derivative financial instrument derives its value from the value of other financial instruments. The Corporation uses derivative financial instruments to hedge interest rate risk and currency risks associated with its investment portfolio. Interest rate swaps are used to create a hedge to match a liability or an asset, and may contain a cross-currency component. Interest rate swaps involve the exchange of fixed and floating interest rate payments based on a notional amount. Cross-currency interest rate swaps involve the exchange of both principal and fixed and floating interest rate payments in two different currencies.

The Corporation uses basis swaps and forward foreign exchange contracts to hedge foreign exchange risk. Basis swaps involve the exchange of principal and interest payments in two different currencies. ICBC uses short-term forward foreign exchange contracts to fix the rate of exchange of expected future foreign currency cash flows.

The Corporation does not enter into derivative financial instruments for trading or speculative purposes. Specific swap derivatives that qualify under CICA handbook section 3865, Hedges, have been designated as hedging items. All derivative financial instruments that do not qualify as an effective hedge have been designated as HFT in accordance with the new handbook section 3855, Financial Instruments – Recognition and Measurement. These derivative financial instruments are recognized at their fair value on the statement of financial position, with changes in fair value reflected in the consolidated statement of operations during the period in which they arise.

For purposes of meeting the requirements of CICA handbook section 3865, Hedges, all hedges are hedging relationships that have been designated, and documented detailing the risk management objective and strategy for undertaking the hedge. The documentation specifically identifies the asset or liability being hedged, the type of derivative used, and the effectiveness of the hedge. All hedges are fair value hedges as they are used to hedge changes in interest rate risk. Also, there is a formal assessment at the inception of the hedge and on an ongoing basis as to whether the derivatives used in the hedges are highly effective in offsetting changes in fair values or cash flows of hedged items throughout the whole relationship.

The income or expense resulting from the derivative transactions is included in interest income when the hedged item is recognized in earnings. In the event that the hedging relationship is no longer effective, the resulting realized or unrealized gain or loss from a swap would be recognized in the consolidated statement of operations as part of investment income. The associated derivative instrument would be subsequently recognized in the consolidated statement of financial position at fair value.

Pensions and post-retirement benefits

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of expected plan investment performance, compensation levels, retirement ages of employees and expected healthcare costs.

The expected return on plan assets is calculated using the expected long-term rate of return on plan assets and the fair value of the assets.

Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.

The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

The transitional asset, created when the Corporation adopted the recommendations of CICA handbook section 3461 in 2000, is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the benefit plan.

Certain employees, formerly of the Motor Vehicle Branch, belong to the BC Public Service Pension Plan. Funding to this plan is accounted for on a cash basis.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Software development costs, which are comprised of labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for major infrastructure projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable.

Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life at the following annual rates: buildings 5-10%, furniture and equipment 10-33%, and software 10-33%. Leasehold improvements are amortized over the term of each lease.

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Corporation considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, net of outstanding cheques and money market securities as equivalent to cash.

Translation of foreign currencies

Foreign currency investments are translated at exchange rates at the date of purchase. Other foreign currency assets and liabilities considered monetary items are translated at exchange rates in effect at the year end date. Foreign currency revenues and expenses are translated at transaction date exchange rates. Exchange gains and losses are included in the determination of net income.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The more subjective of such estimates are provisions for unpaid claims, provisions for doubtful accounts, temporary impairment of investments, and deferred premium acquisition costs. Management believes its estimates to be appropriate; however, actual results may be significantly different from these estimates and would be reflected in applicable future periods.

New accounting pronouncements

Effective January 1, 2008, the Corporation will apply the new Canadian Institute of Chartered Accountants (CICA) handbook section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital.

Also effective January 1, 2008, the Corporation will apply the two new CICA handbook sections 3862, Financial Instruments – Disclosure and 3863, Financial Instruments – Presentation revising and enhancing actual disclosure requirements. The new sections place increased emphasis on disclosures about the significance of financial instruments in the Corporation's financial performance, the nature and extent of risks arising from financial instruments and how the Corporation manages those risks.

3. Changes in Accounting Policy

Effective January 1, 2007, the Corporation adopted the CICA handbook sections for the recognition and valuation of financial assets and liabilities, including section 1530, Comprehensive Income; section 3855, Financial Instruments – Recognition and Measurement; and section 3865, Hedges.

In accordance with the transitional provisions, these new standards have been adopted prospectively and, accordingly, prior period balances have not been restated. The following outlines the significant changes:

a) All financial assets and liabilities were classified into the following categories (see note 2):
   i. Available for Sale (AFS)
   ii. Held for Trading (HFT)
   iii. Loans and Receivables (Loans)

b) The accumulated other comprehensive income (AOCI) is a new component of equity and represents the accumulated changes in fair values of AFS assets that are not yet recognized in the consolidated statement of operations.

c) Transitional adjustments totalling $487.1 million have been recorded in opening AOCI or in opening retained earnings as noted below.
   i. The carrying values of all AFS assets were adjusted to reflect their fair value. A transitional adjustment of $482.4 million (bonds $14.0 million; equities $468.4 million) made to the carrying value of these assets was recognized as an adjustment to opening AOCI.
   ii. Under the new reporting standards, any premium or discount on the purchase of bonds is deferred and amortized over the average term to maturity using the effective interest method. Previously, amortization was calculated using the straight line method. The resulting change in the value of investments at January 1, 2007 is $4.7 million and is recorded as a transitional adjustment to opening retained earnings.
   iii. As a result of adopting the new standards on January 1, 2007, the Corporation established its discount rate using a market investment yield instead of a yield based on the previous carrying value. The impact was considered to be insignificant to opening retained earnings.

The transitional adjustments are as follows:

($ THOUSANDS)

	December 31, 2006	Transitional Adjustments	January 1, 2007
Cash and investments			
Cash and money market securities	$ 316,384	$ -	$ 316,384
Bonds			
Canadian			
Federal	2,256,701	(1,313)	2,255,388
Bond repurchase – hedged	(62,900)	-	(62,900)
	2,193,801	(1,313)	2,192,488
Provincial	1,035,704	13,616	1,049,320
Municipal	40,653	2,116	42,769
Corporate	1,882,855	8,839	1,891,694
	2,959,212	24,571	2,983,783
	5,153,013	23,258	5,176,271
Global	412,891	(4,491)	408,400
Total bonds	5,565,904	18,767	5,584,671
Mortgages	663,300	-	663,300
Equities			
Canadian	924,455	303,851	1,228,306
United States	423,980	73,322	497,302
Europe, Australia, Far East	390,787	91,192	481,979
Total equities	1,739,222	468,365	2,207,587
Real estate, net of provision	185,774	-	185,774
Total cash and investments	$ 8,470,584	$ 487,132	$ 8,957,716

Real estate investments are excluded from the scope of the new standards and continue to be recorded at cost less any provision for impairment in value that is considered to be an other than temporary impairment.

4. Cash and Investments

a) Investment classification

($ THOUSANDS)		2007	2006	
	Classification	Carrying Value	Carrying Value	Estimated Fair Value
Financial assets				
Cash and money market securities	AFS	$ 331,017	$ 316,384	$ 316,384
Bonds				
Canadian				
Federal	AFS	2,981,622	2,256,701	2,255,388
Bond repurchase – hedged	AFS	(19,906)	(62,900)	(62,900)
		2,961,716	2,193,801	2,192,488
Provincial	AFS	914,546	1,035,704	1,049,320
Municipal	AFS	25,662	40,653	42,769
Corporate	AFS	1,890,849	1,882,855	1,891,670
		2,831,057	2,959,212	2,983,759
		5,792,773	5,153,013	5,176,247
Global	AFS	420,380	412,891	408,400
Total bonds		6,213,153	5,565,904	5,584,647
Mortgages	Loans	800,055	663,300	664,477
Equities				
Canadian	AFS	1,260,171	924,455	1,228,306
United States	AFS	475,509	423,980	497,302
Europe, Australia, Far East	AFS	426,560	390,787	481,979
Total equities		2,162,240	1,739,222	2,207,587
Real estate, net	Other	134,987	185,774	276,865
Total cash and investments		$ 9,641,452	$ 8,470,584	$ 9,049,960

The fair value of investments for 2007 approximate their carrying value except for real estate that has a fair value of $201.0 million.

The estimated fair value of money market securities is cost. The estimated fair value for bonds and equities is based on quoted market values. The estimated fair value for mortgages is based upon the net present value of the payment stream using rates currently in effect. The estimated fair value of ICBC's net real estate investments is based on independent appraisals made during the year, when available, and, when not available, on discounted cash flows. The fair value of derivatives are estimated using models common to all market participants and is not significant at December 31, 2007.

b) Investment income

($ THOUSANDS)	2007		2006
	Classification	Total	Total
Interest			
Money market	AFS	$ 12,776	$ 11,384
Bonds	AFS	254,172	220,685
Mortgages	Loans	40,754	34,108
		307,702	266,177
Gains (losses) on the sale of investments			
Equities	AFS	198,195	205,668
Bonds	AFS	(36,964)	(4,159)
Real estate	Other	39,701	2,154
Reversal of real estate provision	Other	94,795	-
Foreign exchange	AFS	(14,025)	(9,784)
		281,702	193,879
Dividends and other income (expenses)			
Equities	AFS	50,522	52,281
Real estate	Other	12,964	13,065
Investment management fees	Other	(6,744)	(4,590)
Loss on impairment in value	AFS	(30,470)	(6,687)
Other	Other	(4,076)	(1,776)
		22,196	52,293
Total investment income		$ 611,600	$ 512,349

Accumulated other comprehensive income decreased by $203.4 million which was comprised of a $56.2 million decrease in unrealized gains and $147.2 million in realized gains from the sale of investments.

During the year, the Corporation reduced its investment assets by $30.5 million (2006 - $6.7 million) for impairment which decreased net investment income as noted below.

The Corporation recognized an other than temporary impairment in the value of its equity portfolio of $2.2 million, its global bond portfolio of $21.0 million due to the changes in the U.S. exchange rate in relation to the Canadian dollar, and its bond portfolio of $7.3 million related to Asset-Backed Commercial Paper (ABCP).

The Corporation's investment portfolio includes ABCP with a total par value of $45.1 million. ABCP is a senior short-term investment vehicle secured by an interest in a diversified pool of assets. As a result of the disruption of liquidity in the ABCP market, the Corporation has reclassified its ABCP from the money market portfolio to the bond portfolio to reflect the longer expected holding period of the ABCP. The impairment of the ABCP was expected to be other than temporary and the Corporation has recognized this by decreasing net income to reflect the estimated fair value. The estimated fair value was calculated by discounting the expected cash flows of the securities based on currently available information.

During the year ended December 31, 2007, the Surrey City Central real estate investment was sold for $245.8 million. This sale resulted in a gain of $39.7 million and a reversal of the remaining provision of $94.8 million (2006 - $103.7 million) for impairment in value that was determined to be other than temporary based on an independent appraisal in a prior year.

c) Derivative financial instruments

The notional amount of interest rate swaps is $20.0 million at December 31, 2007 (2006 - $400.7 million). The notional amount of basis swaps outstanding is nil (2006 - $12.2 million). Interest rate swaps have receiving interest rates of an average of the three-month Canadian Dealer Offer Rate (CDOR) plus 42.8 basis points (2006 - 37.5 basis points), and an average pay interest rate of 4.92% (2006 - 4.34%). At December 31, 2007, all swap contracts had remaining terms under one year. The swaps had an estimated fair value of $0.1 million as at December 31, 2007 (2006 - $4.3 million). The fair value of interest rate swap contracts is determined by discounting expected future cash flows using current market interest. The values of these swaps have been reflected in the estimated fair value of bonds.

d) Fixed income – interest rate risk

	2007		2006	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	4.0	3.3	3.9	3.5
Provincial	4.3	4.2	4.4	6.9
Municipal	4.3	3.4	5.4	4.7
Corporate	5.1	2.9	4.4	3.6
Global	3.6	5.3	3.7	5.3
Total bonds	4.4	3.5	4.2	4.3
Mortgages	5.6	3.3	5.6	3.2
Total bonds and mortgages	4.5	3.4	4.3	4.2

e) Fixed income – maturity profile

A significant business risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities. The timing of most policy liability payments is not known, and may take considerable time to determine precisely, or may be paid in partial payments.

The Corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio.

($ THOUSANDS)

	Within One Year	One Year to Five Years	After Five Years	Total
2007				
Bonds				
Canadian				
Federal	$ -	$ 2,871,658	$ 90,058	$ 2,961,716
Provincial	-	766,935	147,611	914,546
Municipal	-	17,516	8,146	25,662
Corporate	24,983	1,763,139	102,727	1,890,849
Global	16,268	185,896	218,216	420,380
Total bonds	41,251	5,605,144	566,758	6,213,153
Mortgages	101,360	538,295	160,400	800,055
	$ 142,611	$ 6,143,439	$ 727,158	$ 7,013,208
2006				
Bonds				
Canadian				
Federal	$ 3,915	$ 1,985,984	$ 203,902	$ 2,193,801
Provincial	-	538,988	496,716	1,035,704
Municipal	-	17,270	23,383	40,653
Corporate	42,900	1,557,057	282,898	1,882,855
Global	21,298	184,637	206,956	412,891
Total bonds	68,113	4,283,936	1,213,855	5,565,904
Mortgages	120,108	366,559	176,633	663,300
	$ 188,221	$ 4,650,495	$ 1,390,488	$ 6,229,204

f) Securities lending

The Corporation participates in a securities lending program managed by a federally regulated financial institution whereby it lends securities it owns to other financial institutions to allow them to meet delivery commitments. The Corporation receives securities of equal or superior credit quality as collateral for securities loaned and records commission on transactions as earned. At December 31, 2007 securities with an estimated fair value of $323.9 million (2006 - $352.8 million) have been loaned and securities with an estimated fair value of $339.9 million (2006 - $370.3 million) have been received as collateral.

5. Property and Equipment

($ THOUSANDS)	2007		2006	
	Cost	Net Book Value	Cost	Net Book Value
Land	$ 23,227	$ 23,227	$ 23,930	$ 23,930
Buildings	145,826	32,651	141,364	32,151
Furniture and equipment	97,697	17,300	109,185	15,724
Software	20,981	4,174	22,879	7,070
Leasehold improvements	9,334	1,614	8,467	1,119
	$ 297,065	$ 78,966	$ 305,825	$ 79,994

Amortization expense for the year ended December 31, 2007 amounted to $14.7 million (2006 - $15.0 million).

6. Provision for Unpaid Claims

The changes in the provision for unpaid claims recorded in the consolidated statement of financial position and their impact on claims incurred for the year are as follows:

($ THOUSANDS)	2007	2006
Unpaid claims net – beginning of year	$ 5,390,317	$ 5,031,283
Change in estimates for losses occuring in prior years		
Prior years' claims adjustments	(55,765)	89,918
Increase in claims incurred in prior years due to a reduction in the amount of discount	21,986	9,125
	(33,779)	99,043
Provision for claims occuring in the current year	2,646,360	2,544,396
Net claims incurred	2,612,581	2,643,439
Less:		
Payments on claims incurred in the current year	1,025,301	978,560
Payments on claims incurred in prior years	1,521,683	1,415,110
Recoveries on claims	(126,141)	(109,265)
	2,420,843	2,284,405
Unpaid claims net – end of year	5,582,055	5,390,317
Recoverable from reinsurers	19,993	29,416
Unpaid claims gross – end of year	$ 5,602,048	$ 5,419,733

The Corporation discounts its provision for unpaid claims at an investment rate of return of 5.24% (2006 - 5.0%). The Corporation determines the discount rate based upon the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

The following table shows the effect of discounting on the provision for unpaid claims:

($ THOUSANDS)	Undiscounted	Effect of Present Value	PFADs	Discounted
2007				
Provision for unpaid claims	$ 5,678,905	$ (693,197)	$ 596,347	$ 5,582,055
Amount recoverable from reinsurers	24,279	(3,234)	(1,052)	19,993
	$ 5,703,184	$ (696,431)	$ 595,295	$ 5,602,048
2006				
Provision for unpaid claims	$ 5,448,305	$ (620,546)	$ 562,558	$ 5,390,317
Amount recoverable from reinsurers	34,270	(3,306)	(1,548)	29,416
	$ 5,482,575	$ (623,852)	$ 561,010	$ 5,419,733

The effect of the increase in the investment rate of return from 5.0% at December 2006 to 5.24% at December 2007 is to decrease the provision for unpaid claims by $31.7 million.

7. Reinsurance

The Corporation maintains casualty and catastrophe reinsurance to protect against significant losses.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2007 with the following terms:

a) up to $325 million in excess of $25 million annually for catastrophic occurrences;
b) up to $45 million in excess of $5 million for individual casualty loss occurrences.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2006 with the following terms:

a) up to $275 million in excess of $25 million annually for catastrophic occurrences;
b) up to $20 million in excess of $5 million for individual casualty loss occurrences.

These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

8. Premiums and Other Receivables

($ THOUSANDS)	2007	2006
Premium receivables	$ 906,319	$ 872,453
Other receivables	15,873	17,691
	$ 922,192	$ 890,144

The Corporation grants credit to its customers in the normal course of business. Credit assessments are performed on a regular basis and the financial statements take into account an allowance for bad debts.

9. Pension Plans and Post-Retirement Benefits

The Corporation sponsors a registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). It also sponsors two supplemental pension arrangements for certain employees.

The Corporation also contributes to two other pension plans for which it is not the sponsor. Current and former employees of the Corporation who are or were members of COPE Local 378 are members of the COPE 378 / ICBC Pension Plan (the COPE Plan). The COPE Plan is a jointly trusteed plan. Trustees of the plan are appointed by each of the Corporation and COPE Local 378. In addition, certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of the BC Public Service Pension Plan.

The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. The Corporation has no fiduciary responsibility for, or role in the governance of, the COPE Plan or the BC Public Service Pension Plan.

The Corporation pays Medical Services Plan and life insurance premiums, extended healthcare and dental costs as post-retirement benefits for its retirees. Benefit entitlements differ for management and confidential, and bargaining unit staff.

Total cash payments for employee future benefits for 2007, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of its unfunded pension and post-retirement benefit plans were $24.9 million (2006 - $23.6 million).

The Corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Actuarial valuations of the pension plans for funding purposes are prepared on a triennial basis. The Management and Confidential Plan had an actuarial valuation as of December 31, 2004 which was extrapolated to December 31, 2007. This plan will be actuarially valued in early 2008 for funding purposes for the December 31, 2007 valuation date. The COPE Plan had an actuarial valuation as of December 31, 2006 which was extrapolated to December 31, 2007. The post-retirement benefits had an actuarial valuation as of December 31, 2006 which was extrapolated to December 31, 2007.

Information regarding the pension plans and post-retirement benefits is as follows:

	Pension Plans		Post-Retirement Benefits	
($ THOUSANDS)	2007	2006	2007	2006
Plan assets				
Fair value at beginning of year	$ 980,772	$ 859,544	$ -	$ -
Actual return on plan assets	23,382	106,884	-	-
Employer contributions	21,702	20,671	2,212	1,900
Employees' contributions	17,215	16,511	-	-
Net transfers	196	9	-	-
Benefits paid	(25,694)	(22,847)	(2,212)	(1,900)
Fair value at end of year	1,017,573	980,772	-	-
Accrued benefit obligation				
Balanced at beginning of year	889,498	864,974	132,261	126,830
Current service cost	28,695	29,343	6,916	6,690
Employees' contributions	17,215	16,511	-	-
Net transfers	196	9	-	-
Interest cost	47,979	44,971	7,180	6,629
Actuarial (gains) losses	(44,660)	(43,463)	(16,092)	(5,988)
Benefits paid	(25,694)	(22,847)	(2,212)	(1,900)
Balance at end of year	913,229	889,498	128,053	132,261
Funded status – plan (deficit) surplus	104,344	91,274	(128,053)	(132,261)
Unamortized net actuarial losses	29,506	32,650	15,713	33,494
Unamortized plan adjustments	-	-	(1,407)	(1,608)
Unamortized transitional asset	(56,894)	(65,879)	-	-
Accrued benefit asset (liability)	$ 76,956	$ 58,045	$ (113,747)	$ (100,375)

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2007	2006
Cash and accrued interest	3%	2%
Equities		
Canadian	33%	25%
Foreign	19%	24%
Fixed Income		
Government	26%	29%
Corporate	7%	6%
Pooled fixed income funds	0%	4%
Mortgages	5%	5%
Real estate	7%	5%
	100%	100%

The following amounts are included in the accrued benefit obligation in respect of plans that are not funded:

	Pension Plans		Post-Retirement Benefits	
($ THOUSANDS)	2007	2006	2007	2006
Accrued benefit obligation and plan deficit	$ 7,761	$ 7,764	$ 128,053	$ 132,261

The Corporation's net benefit plan expense for the pension plans and post-retirement benefits is as follows:

	Pension Plans		Post-Retirement Benefits	
($ THOUSANDS)	2007	2006	2007	2006
Current service cost	$ 28,695[1]	$ 29,343[1]	$ 6,916	$ 6,690
Interest cost	47,979	44,971	7,180	6,629
Expected return on plan assets	(64,941)	(56,979)	-	-
Amortization of transitional asset	(8,985)	(8,985)	-	-
Plan adjustments	-	-	(201)	(201)
Amortization of net actuarial loss	43	3,223	1,689	2,436
Net expense	$ 2,791	$ 11,573	$ 15,584	$ 15,554

[1] net of employees' contributions of $17,215 (2006 – $16,511)

The Corporation contributed $1.0 million in 2007 (2006 - $1.0 million) to the BC Public Service Pension Plan.

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension Plans		Post-Retirement Benefits	
($ THOUSANDS)	2007	2006	2007	2006
Discount rate	5.45%	5.20%	5.45%	5.20%
Expected long-term rate of return on plan assets	6.6%	6.6%	n/a	n/a
Rate of compensation increase	3.8%	3.8%	3.8%	3.8%
Inflation rate	2.5%	2.5%	2.5%	2.5%
Medical Services Plan trend rate	n/a	n/a	0.0%	0.0%

In 2007 the extended healthcare trend rate is assumed to be 10.7% in the first year, decreasing linearly over 7 years to 6.0% per year thereafter. In 2006 the extended healthcare trend rate was assumed to be 11.4% in the first year, decreasing linearly over 9 years to 6.0% per year.

10. Operating Costs

The Corporation's activities include insurance and non-insurance operations as described in note 1. Details of the expenses are as follows:

($ THOUSANDS)	2007	2006
Operating costs – insurance		
Administrative and other expenses	$ 92,934	$ 86,785
Insurance services	55,884	46,031
	$ 148,818	$ 132,816
Operating costs – non-insurance		
Administrative and other expenses	$ 30,561	$ 31,092
Payment to the Province of BC for Compliance Operations	-	6,240
Driver services	41,250	40,796
	$ 71,811	$ 78,128

11. Deferred Premium Acquisition Costs and Prepaid Expenses

($ THOUSANDS)	2007	2006
Deferred premium acquisition costs	$ 176,650	$ 138,000
Prepaid expenses	8,281	7,920
	$ 184,931	$ 145,920

As at December 31, 2007 there were premium acquisition costs of $199.4 million (2006 - $187.3 million) related to future periods. An actuarial valuation determined that $176.7 million (2006 - $138.0 million) of this amount is allowable for deferral. The allowable amount for deferral is comprised as follows:

($ THOUSANDS)	2007	2006
Optional	$ 129,145	$ 122,300
Basic	47,505	15,700
	$ 176,650	$ 138,000

The commission and premium tax expenses reflected in the consolidated statement of operations are as follows:

($ THOUSANDS)	Commissions	Premium Taxes	Total
2007			
Amount payable	$ 283,425	$ 156,828	$ 440,253
Amortization of prior year deferred premium acquisition costs	85,608	52,392	138,000
Deferred premium acquisition costs	(110,164)	(66,486)	(176,650)
Premium taxes and commission expense	$ 258,869	$ 142,734	$ 401,603
Represented as:			
Insurance	$ 237,745	$ 142,734	$ 380,479
Non-insurance	21,124	-	21,124
	$ 258,869	$ 142,734	$ 401,603
2006			
Amount payable	$ 261,743	$ 148,519	$ 410,262
Amortization of prior year deferred premium acquisition costs	24,100	14,500	38,600
Deferred premium acquisition costs	(85,608)	(52,392)	(138,000)
Premium taxes and commission expense	$ 200,235	$ 110,627	$ 310,862
Represented as:			
Insurance	$ 181,544	$ 110,627	$ 292,171
Non-insurance	18,691	-	18,691
	$ 200,235	$ 110,627	$ 310,862

12. Related Party Transactions

The Corporation acts as agent for the Ministry of Finance regarding the collection of social service taxes on privately sold used vehicles and motor vehicle related debts. The Corporation is the sole provider of Basic automobile insurance (note 1) in the Province and, therefore, insures, at market rates, an indeterminate number of vehicles owned or leased by the government of the Province and its controlled entities. As a consequence of these relationships, the Corporation has, at any time, amounts owing to or from various government departments or ministries in the ordinary course of business.

The Corporation is responsible for collecting all vehicle-related income for acquiring and distributing licence plates and decals including permit and other fees under the *Motor Vehicle Act* and fines under the *Offence Act* and these are remitted in full to the Province. Income from the issuance of drivers and other licences and permits and from fines is recognized on an accrual basis. The costs associated with the licensing and compliance activities conducted on behalf of the Province are borne by the Corporation and are included in the consolidated statement of operations as operating costs, non-insurance (note 10).

Other related party transactions have been disclosed elsewhere in the notes to the consolidated financial statements.

13. Fair Value

Fair value represents a year end estimate that may not be relevant in predicting the Corporation's future earnings or cash flows. The fair value of financial instruments, other than those noted in investments (note 4), amount recoverable from reinsurers (note 6), provision for unpaid claims (note 6), post-retirement benefits (note 9) and structured settlements (note 14a) approximate their carrying value.

14. Contingent Liabilities and Commitments

a) A number of more serious injury claims are settled through the use of structured settlements which require the Corporation to provide the claimant with periodic payments, usually for a lifetime. The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the Corporation is responsible for the annuity payments. At present, four federally licensed life insurance companies are approved for use by the Corporation. The list of approved insurance companies is determined by an ongoing analysis of total assets, credit rating reports, and past service history. The present value of these structured settlements at December 31, 2007 is approximately $1.15 billion (2006 - $0.9 billion). To date, the Corporation has not experienced any losses resulting from these arrangements, nor are any anticipated.

b) The Corporation has entered into operating leases of certain rental properties for varying terms. The annual rental payments pursuant to these leases over the next five years are as follows:

($ THOUSANDS)

2008	$ 9,379
2009	7,400
2010	5,918
2011	4,032
2012	2,319
	$ 29,048

c) Subsequent to December 31, 2007, the Corporation became aware that the registration of certain vehicles repaired through its Material Damage Research and Training facility and sold between 2002 and 2008 do not properly reflect their rebuilt status. The Corporation has identified the subject vehicles and notified the current owners and is currently investigating the impact of providing proper redress to all affected parties. At this time the financial impact is not known, but is not expected to be material to the financial statements.

15. Rate Regulation

As discussed in note 1, the Corporation is subject to regulation by BCUC. BCUC has jurisdiction over the Corporation's rates and service for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business. In addition, BCUC sets rates for Basic insurance that allow it to achieve the legislated capital targets and is responsible for directing ICBC to achieve legislated targets for total Corporation and Optional insurance.

For the regulation of the Corporation's Basic insurance rates, BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory and not unduly preferential. BCUC is required to fix rates on the basis of accepted actuarial practice, to pay for certain specified costs, to ensure the Corporation maintains the required capital, to ensure rates are not based on age, gender or marital status, and to ensure increases or decreases in rates are phased in, in a stable and predictable manner.

BCUC requires the Corporation to follow the financial allocation methodology it has approved with respect to allocating costs between Basic and Optional insurance business, and non-insurance business.

It also requires the Corporation to file actuarial certificates attesting to the fact that capital available for Basic insurance, Optional insurance and the total Corporation meets legislated targets.

BCUC initiates regulatory processes on its own initiative or upon application by the Corporation. It uses oral hearing, written hearing, or negotiated settlement processes to review applications and subsequently issue legally binding decisions.

The Corporation is required to incur a portion of BCUC's general operating expenses as well as its costs associated with each ICBC proceeding. BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. Although the majority of premium revenues are specifically identifiable as Basic or Optional (note 1), certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic or Optional, a pro-rata method of allocation has been used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs to each line of business based on the drivers of those revenues and costs, the degree of causality and any BCUC directives. BCUC directives have been applied on a prospective basis.

Included in Basic are non-insurance costs, as the Corporation is required to provide non-insurance services such as driver and vehicle licensing and vehicle registration. The Corporation also provided funding for Compliance Operations until March 31, 2006.

($ THOUSANDS)	Basic Coverage 2007	Basic Coverage 2006	Optional Coverage 2007	Optional Coverage 2006	Total 2007	Total 2006
Revenues						
Premiums written	$ 2,013,721	$ 1,896,685	$ 1,558,333	$ 1,478,742	$ 3,572,054	$ 3,375,427
Premiums earned	$ 1,957,078	$ 1,824,477	$ 1,525,356	$ 1,432,379	$ 3,482,434	$ 3,256,856
Service fees	36,140	25,652	29,809	21,502	65,949	47,154
Total earned revenues	1,993,218	1,850,129	1,555,165	1,453,881	3,548,383	3,304,010
Claims and operating costs						
Net claims incurred during the year (note 6)	1,706,220	1,653,550	940,140	890,846	2,646,360	2,544,396
Prior years' claims adjustments (note 6)	(35,059)	594	1,280	98,449	(33,779)	99,043
Claims services, road safety and loss management services	199,565	197,608	102,404	103,406	301,969	301,014
	1,870,726	1,851,752	1,043,824	1,092,701	2,914,550	2,944,453
Operating costs – insurance (note 10)	74,623	66,046	74,195	66,770	148,818	132,816
Premium taxes and commissions (note 11)	86,049	40,693	294,430	251,478	380,479	292,171
	2,031,398	1,958,491	1,412,449	1,410,949	3,443,847	3,369,440
Underwriting income (loss)	(38,180)	(108,362)	142,716	42,932	104,536	(65,430)
Investment income	408,714	342,864	202,886	169,485	611,600	512,349
Gain on sale of property and equipment	12,374	-	6,743	-	19,117	-
Income – Insurance operations	382,908	234,502	352,345	212,417	735,253	446,919
Loss – Non-insurance operations	(92,935)	(96,819)	-	-	(92,935)	(96,819)
Net income for the year	$ 289,973	$ 137,683	$ 352,345	$ 212,417	$ 642,318	$ 350,100
Equity						
Retained earnings, beginning of year	$ 690,247	$ 452,564	$ 817,001	$ 704,584	$ 1,507,248	$ 1,157,148
Transitional adjustment on adoption of new accounting standards (note 3)	3,145	-	1,561	-	4,706	-
Transfer of retained earnings	-	100,000	-	(100,000)	-	-
Retained earnings, end of year	983,365	690,247	1,170,907	817,001	2,154,272	1,507,248
Accumulated other comprehensive income	186,431	-	92,544	-	278,975	-
Total equity	$ 1,169,796	$ 690,247	$ 1,263,451	$ 817,001	$ 2,433,247	$ 1,507,248

A government directive in February 2007, effective for December 31, 2006, directed the Corporation to transfer $100.0 million of its Optional insurance retained earnings to its Basic insurance business.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2007	2006	2007	2006	2007	2006
Liabilities						
Unearned premiums	$ 957,620	$ 901,646	$ 747,747	$ 714,101	$ 1,705,367	$ 1,615,747
Provision for unpaid claims	$ 4,242,722	$ 4,128,278	$ 1,359,326	$ 1,291,455	$ 5,602,048	$ 5,419,733

16. Role of the Actuary and Auditors

The actuary's responsibility is to carry out an annual valuation of the Corporation's policy liabilities which include provisions for claims and claims expenses, unearned premiums and deferred premium acquisition costs in accordance with accepted actuarial practice and regulatory requirements, and report thereon. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries, and expenses taking into consideration the circumstances of the Corporation and the insurance policies in force. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the Board of Directors. Their responsibility is to conduct an independent and objective audit of the consolidated financial statements in accordance with generally accepted auditing standards and report thereon. In carrying out their audit, the auditors also make use of the work of the actuary when considering the provision for claims and claims expenses, unearned premiums, and deferred premium acquisition costs. The auditors' report outlines the scope of their audit and their opinion.

corporate governance

Corporate governance deals with the roles, relationships, powers and accountability among shareholders, the Board of Directors and management. Governance of a Crown corporation also requires that responsibility be clearly articulated for meeting public policy objectives.

icbc's relationship to government

At the highest level, governance of a Crown corporation is defined through legislation applicable to all Crown corporations, such as the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, the *Financial Information Act*, and the *Freedom of Information and Protection of Privacy Act*. Under this legislation, ICBC is accountable for making public its strategic plan (i.e. Service Plan) and performance against the plan (i.e. Annual Report), as well as providing financial and other information as the legislation requires.

In addition, individual Crown entities are governed by legislation specific to each Crown corporation. The specific legislation to which ICBC must adhere includes:

- the *Insurance Corporation Act*;
- the *Insurance (Vehicle) Act*;
- the *Motor Vehicle Act*;
- the *Motor Vehicle (All Terrain) Act*; and
- the *Commercial Transport Act*.

In addition, the *Insurance Corporation Amendment Act* was enacted in 2003 and established the BC Utilities Commission (BCUC) as the independent regulator of rates for Basic insurance. Non-insurance services provided on behalf of the provincial government are set out in a Service Agreement between ICBC and the Province.

Individual Crown entities are also governed by the Shareholder's Letter of Expectations established between each Crown corporation and the Minister responsible. The Shareholder's Letter of Expectations is an agreement on the respective roles and responsibilities of the shareholder (the provincial government) and the corporation. It outlines high-level performance and reporting expectations, public policy issues and strategic priorities, as well as providing direction specific to ICBC in several key areas.

As demonstrated through the results reported in ICBC's 2007 Annual Report, ICBC has complied with the performance expectations outlined in our 2007 Shareholder's Letter of Expectations. This includes:

- complying with BCUC requirements;
- operating within the terms of the Service Agreement between the Province and ICBC;
- meeting the new legislative and regulatory framework, effective June 1, 2007;
- developing strategies to address commitments under the Canadian Driver Licensing Agreement and safety, service, security and fraud priorities;
- working with the shareholder on a driver licence option as an alternative form of identification for land and sea cross-border travel between Canada and the United States;
- working with the shareholder on matters of joint interest pertaining to road safety; and,
- developing and implementing strategies to manage the trend of rising bodily injury claims costs.

The 2008 Shareholder's Letter of Expectations continues ICBC's mandate to provide Basic and Optional vehicle insurance, and to provide driver licensing, vehicle registration and licensing, and violation ticket administration and government fine collection services on behalf of the Province. It also continues the expectations regarding BCUC requirements, the Service Agreement, road safety initiatives, bodily injury claims costs, and driver licensing priorities. Further, the 2008 Letter includes new directions to ICBC regarding the Shareholder's requirements that support ActNow BC initiatives and making the public sector carbon neutral by 2010.

icbc board governance

ICBC's Board of Directors guides the company in fulfilling its mandate and sets direction for the company. The Board and management approve the corporate vision, mission, values and goals. The Board sets goals for corporate performance that form the basis upon which accountability and performance are evaluated. Performance against these goals is reviewed and revisions made when necessary.

As a Crown corporation, ICBC's Board members are appointed by the Lieutenant Governor-in-Council. The Board of Directors currently consists of eight members with a broad range of expertise and experience. The individual members each play an important role and also contribute as members of committees of the Board. The chart on the following page shows ICBC's Board of Directors, and its committees, members and mandates.

The Board's governance processes and guidelines outlining how it will carry out its duties of stewardship and accountability are set out in the Board Governance Manual, which is updated annually by the Governance Committee. ICBC's Board Governance Manual and policies comply with the provincial government's "Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations". Additional information on Board members and Board policies is available on www.icbc.com.

ICBC's Board of Directors has adopted the guiding principles included in the provincial government's "Governance Framework for Crown Corporations". These principles provide an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement

board governance structure

Board of Directors

Mandate To foster the Corporation's short and long term success consistent with the Board's responsibilities to the people of British Columbia as represented by the Government of British Columbia.

Chair T. Richard Turner

Members Neil de Gelder, Vice-Chair; Diane Fulton; Kenneth Martin; T. Michael Porter; Paul Haggis; Carol Brown; Jatinder Rai

During 2007 and 2008, the following Board members completed their terms. Alice Downing, Susan Paish, Lisa Pankratz, Bob Quart and Terry Squire. ICBC thanks them for their significant contribution to the development and success of the Corporation.

Also in 2008, Paul Taylor resigned as President and Chief Executive Officer. ICBC and its Board of Directors thank Paul for the leadership and guidance he has provided for our Corporation.

Governance Committee

Mandate To provide a focus on governance for ICBC and its subsidiaries that will enhance ICBC's performance.

Chair Neil de Gelder

Members Diane Fulton, Paul Haggis

Audit Committee

Mandate To assist the Board in fulfilling its oversight responsibilities by reviewing: (i) financial information; (ii) systems of internal controls and risk management; and (iii) all audit processes.

Chair T. Michael Porter

Members Carol Brown, Jatinder Rai

Investment Committee

Mandate To recommend and review investment policy for both ICBC and any pension fund of which ICBC is an administrator.

Chair Paul Haggis

Members Diane Fulton, Kenneth Martin

Human Resources and Compensation Committee

Mandate To assist the Board in fulfilling its obligations relating to human resource and compensation policies.

Chair Kenneth Martin

Members Carol Brown

icbc board of directors and executives

front row from left:

Kenneth Martin
Board Member

Len Posyniak
Vice-President, Human Resources and Corporate Law

Donnie Wing
Senior Vice-President, Insurance, Marketing and Underwriting

Bob Quart
(former Board Member)

Paul Taylor
(former President & CEO)

T. Richard Turner
Board Chair

T. Michael Porter
Board Member

Fred Hess
Vice-President, Driver Services

Geri Prior
Chief Financial Officer

back row from left:

Alice Downing
(former Board Member)

Paul Haggis
Board Member

Diane Fulton
Board Member

Keith Stewart
Chief Information Officer

Neil de Gelder
Board Vice-Chair

Craig Horton
Senior Vice-President, Claims

Susan Paish
(former Board Member)

Jatinder Rai
Board Member

Carol Brown
Board Member

Insurance Corporation of British Columbia

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additional information

Additional information about ICBC and electronic copies of this report are available at **icbc.com**

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